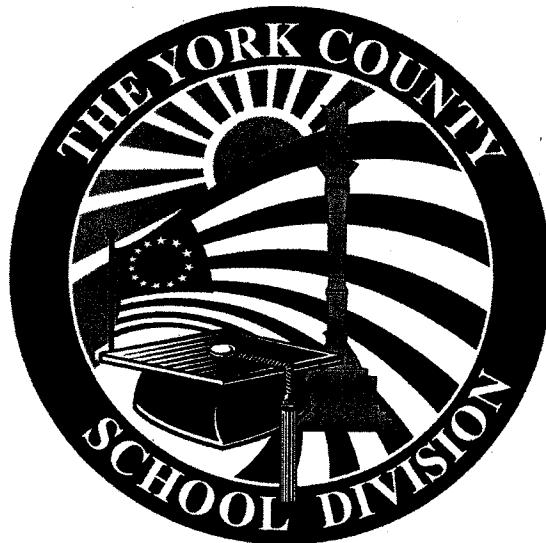


Comprehensive Annual Financial Report

*For the Fiscal Year
Ended June 30, 2008*



The York County School Division
County of York, Virginia

(A Component Unit of the County of York, Virginia)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

The York County School Division Component Unit of the County of York, Virginia

For the Fiscal Year Ended June 30, 2008

Prepared by the Department of Finance

Dennis R. Jarrett, CPA, CPFO
Chief Financial Officer

Karen L. Fowler
Budget and Financial Supervisor

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**THE YORK COUNTY SCHOOL DIVISION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2008**

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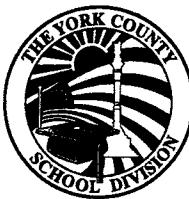
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INTRODUCTORY SECTION

THE YORK COUNTY SCHOOL DIVISION

DIVISION
SUPERINTENDENT
Eric Williams, Ed. D.



YORK COUNTY, VIRGINIA

SCHOOL BOARD
Barbara S. Haywood
District 1
Linda S. Meadows
District 2
Mark A. Medford
District 3
R. Page Minter
District 4
Robert W. George, D.D.S.
District 5

November 25, 2008

Citizens of York County and Honorable Members of the School Board of the County of York, Virginia:

The Comprehensive Annual Financial Report of the York County School Division (hereafter School Division), a component unit of the County of York, Virginia for the fiscal year ended June 30, 2008, is hereby submitted. Responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the School Division. All disclosures necessary to enable the reader to gain an understanding of the School Division's financial activities have been included.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The School Division's MD&A can be found immediately following the report of the independent auditors.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical, and compliance. The introductory section includes this transmittal letter, an organizational chart and a list of principal officials. The financial section includes the MD&A, basic and fund financial statements, notes to the financial statements, required supplemental information (RSI) other than MD&A, as well as the independent auditors' report on the MD&A, financial statements and schedules. The statistical section includes selected financial and demographic information, presented on a multi-year basis, where possible. The compliance section includes reports by the independent auditor on compliance and internal control.

The School Division is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and questioned costs, and auditors' reports, is included in the County of York's Comprehensive Annual Financial Report.

Profile of the Reporting Entity and Organization

York County, which was originally named Charles River County, was one of Virginia's eight original "shires" formed in 1634. It was renamed nine years later in 1643 when the river that determines the County's character was given the name of the then Duke of York. York County has played a major role in the development of the nation. Most importantly, it was the location of

the culminating battle of the Revolutionary War and the subsequent surrender of Lord Cornwallis and his British army on October 19, 1781.

York County is located in the Atlantic Coast's "urban crescent" on the beautiful Virginia peninsula. Situated midway between Richmond and Virginia Beach, the County's residents help comprise one of the nation's largest metropolitan areas, commonly referred to as Hampton Roads.

The School Division is responsible for elementary and secondary education (kindergarten through twelfth grade) within the County. Total enrollment in fiscal year 2008 was 12,745 and projected budgeted enrollment for fiscal year 2009 is 12,705. Students are offered a broad range of services including regular education, special education, career and technical education, and gifted education. The oldest school building was built in the early 1950's and the newest school building was built in the mid 1990's. All school facilities undergo a complete renovation every 20 years.

The elected five member School Board, vested with legislative powers, appoints the Superintendent, the executive and administrative head of the public school division. The School Division is fiscally dependent (i.e., it does not have taxing, levying, or borrowing authority) and is a component unit of the County of York. It derives most of its funding from allocations from the County and the Commonwealth of Virginia. The County Board of Supervisors approves the School Division's operating budget, levies the necessary taxes to finance operations, and approves the borrowing of money and issuance of bonds when necessary. The Board of Supervisors is prohibited from exercising any control over specific appropriations within the operating budget of the School Division. However, the Board of Supervisors may exercise control in total by major categories (e.g., Instruction, Pupil Transportation) as prescribed by the Code of Virginia, as amended.

In accordance with the requirements of the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government (the County of York) and its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable (e.g., a component unit that is fiscally dependent on the primary government). The School Division is considered a component unit of the County of York.

This report includes all funds of the School Division. The School Division has no component units for financial reporting purposes.

Economic Condition and Outlook

York County is fortunate to have an expanding commercial and industrial base, while also enjoying affordable and plentiful housing and a moderate cost of living. As members of the dynamic Hampton Roads community, York County citizens have at their fingertips a wide variety of personal, professional, and leisure opportunities, including numerous colleges and universities, theme parks, historical areas and much more. During the year, population grew to more than 64,600 and both residential and commercial tax bases continued to expand.

In May 2004, York County ranked in the top 2% of best counties in a nation-wide quality of life study conducted by American City Business Journals, Inc. York County ranked 37th among the nation's 3,141 counties and independent cities for quality of life among citizens. American City

Business Journals' study used 20 categories for the quality of life rating, including median household income, racial diversity, unemployment (York County has very low unemployment), commute times for residents and high school graduation rates.

During 2007, staff worked closely with a team of students from William and Mary's Thomas Jefferson Public Policy Program to review and revamp the Business Retention & Expansion Survey, making it more useful and user-friendly. The format, question style, and visual appeal were all greatly improved. In January 2008, the County Office of Economic Development mailed 840 surveys. 178 responses were received via mail and the Economic Development website for a 21% return rate.

The overall opinion regarding the County's business environment was very positive. Seventy percent of the respondents believed that the County was a good or excellent place to operate a business. The main issue for the respondent's businesses was the current state of the economy. Many listed the economy, rising cost of living, or change in consumer spending habits as the key issue facing their business today. Workforce issues seem to be the most consistent and problematic issues facing the survey respondents. Additionally, of those responding to the survey, 25% indicated they have issues in the areas of workforce development and employee attraction and retention.

Economic development in the County had another prosperous year in FY08. Retail growth, tourism related investment and mid-sized light industrial development remained steady in 2008. Despite the bankruptcy of Premiere Properties, *The Marquis*, a lifestyle retail center located adjacent to Water Country USA, is still moving forward. The new owner, CIT Capital, has engaged Western Development to complete the project. Five stores - Dick's Sporting goods, Best Buy, Kohl's, JC Penney, and Target - have already opened and construction should be underway on more by December 2008.

The first phase of Towne Park Corporate Center, a nine acre condominium professional/medical office park in International Center, located on Mooretown Road across from the new Sentara Hospital, is nearing completion. Phase I of the project will be a cluster of three two-story colonial style buildings arranged around a landscaped courtyard and will total over 22,000 square feet. Once complete, the development will include four phases with varying structure sizes.

A new 16,000 square foot Class A office building has recently been completed in the Kiln Creek Commercial Corridor. The building is located behind Super K-Mart off of Victory Boulevard. The second floor is occupied by Nationwide Insurance and almost 8,000 square feet is still available for lease on the ground floor.

In addition to local economic growth, the current period's financial statements were positively impacted by federal grants. In accordance with School Board policy, the School Division accepts all federal funds which are available, provided there is a specific need for such funds. In continuing to implement that policy, the School Division applied for and received funds from the federal government for programs such as Impact Aid, No Child Left Behind, Special Education Title VIB, and one-time funds from the Department of Defense due to the high percentage of students with parents or legal guardians connected to the military. In total, federal grant revenue totaled 10.6% of total General Fund Revenue.

Accounting System

In developing and evaluating the School Division's accounting system, consideration is given to the adequacy of the internal control structure. The internal control structure is designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the School Division's internal control structure adequately safeguards assets and provides reasonable assurance of the proper recording of financial transactions. The accounting system is organized and operated on a function basis. Each function, relating to a specific area of operation, includes a report of appropriations, expenditures, encumbrances, and fund balances for each line item appropriate for that function.

Budgetary Controls

The School Division's budgetary controls are an integral part of the School Division's internal control system. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the School Board and County Board of Supervisors. Activities of the General Fund and Special Revenue Fund are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Fund.

Major Initiatives

In 2007-08, the York County School Division began work on, or continued the expansion of, several new initiatives that will help continue the tradition of excellence in York County.

The York County School Division continues to meet the academic requirements of the state, to maintain its own tradition of excellence, and to provide a well-rounded approach to education. The Division has fine-tuned existing academic programs, added new courses to the Program of Studies, consistently correlated its curriculum with the state Standards of Learning (SOL), and provided professional development opportunities that expand the experience and expertise of the Division's instructional staff. Highlights of 2007-08 curriculum and professional development efforts include:

- ◆ Community Surveys

A survey of parents was conducted in the Spring of 2006 to assess parent satisfaction in many areas including school environment, effectiveness of how schools communicate with parents, instructional programming, and how safe are schools to list just a few of the topics surveyed. There was a 78% return rate for the survey. Overall conclusions of the survey include: parents think the school environment is safe and conducive to learning; 97% of the respondents were "satisfied" with the educational program; and 93% of the respondents were either "satisfied" or "very satisfied" with how the school informs the parents.

In December 2003, the School Division commissioned a community opinion survey that was designed to gather information regarding satisfaction with division programs and initiatives

and to determine the issues related to public education that our community believed to be the most important. The survey was conducted by an outside marketing research firm to ensure data was properly tabulated and analyzed. The survey results were very positive. Most respondents were either "satisfied" or "very satisfied" with the many aspects of the School Division.

- ◆ Curriculum Development

The School Division's curriculum development effort is an ongoing process of development and review that emphasizes the Standards of Learning within a rich instructional program. Curriculum development provides descriptive and reliable guides for teachers and ensures that York County School Division students are taught in a manner that prepares them adequately for SOL tests. As new courses that broaden students' interests and guide them to meaningful and appropriate career paths are added to the *Program of Studies K-12*, curriculum is written for each of these courses. In addition, a comprehensive and user-friendly *Secondary Program of Studies Registration and Information Guide*, containing all middle and high school courses as well as general academic information is published to assist students and their parents in planning secondary school course work.

In FY07, preparation began for offering Mandarin Chinese classes in the high schools. In the 2007-08 school year Mandarin Chinese was offered to high school students for the first time. On-line testing of Standards of Learning was expanded in the middle and high schools. Additionally, Assessment and Compliance Coordinators were added to the middle schools in FY 2007 and to the elementary schools in FY 2008.

- ◆ No Child Left Behind

No Child Left Behind (NCLB) legislation requires annual testing of at least 95% of all students to measure progress in reading and math, and requires schools and school divisions to meet targets for achievement in four subgroups. The subgroups are students with disabilities, Limited English Proficient students, economically disadvantaged students (based on free/reduced lunch status), and major racial/ethnic groups.

NCLB sets annual objectives (or targets) for student participation and performance on these reading and math tests. As we move closer to 2014 – the 100%-proficiency deadline – the Annual Yearly Progress (AYP) bar will be raised each school year. For a school or school division to "make AYP" it must meet or exceed all targets for participation in statewide testing, achievement in reading and math, and attendance (elementary and middle schools) or graduation (high schools). Missing a single target results in a school or school division not making AYP. Fourteen of nineteen division schools in York County made AYP last school year.

- ◆ Virginia Standardized Tests (Standards of Learning)

Standards of Learning (SOL) tests are administered to students in grades 3 through 8, and students enrolled in certain high school courses. Students are required to earn a certain number of verified credits to be eligible for a standard or advanced high school diploma. Verified credits for graduation will be based on achievement by the student of a passing score on the required end-of-course SOL tests.

Based on Spring 2007 SOL test results, the York County School Division had all elementary, middle, and high schools *Fully Accredited*. All York County Schools have achieved the state's highest accreditation ranking (*Fully Accredited*) in school years 2002, 2003, 2004, 2005, 2006 and 2007.

- ◆ Scholastic Aptitude Test (SAT)

The total combined mean of math and verbal scores on the SAT continue to be above the state and national level for York County School Division students.

- ◆ The Middle Years Programme

The Middle Years Programme (MYP) was implemented in the 2008 school year. MYP is a course of study for academically talented York County School Division students in grades 6-8 which is located at Yorktown Middle School. All MYP courses are taught by instructors trained in MYP instruction at workshops conducted by the International Baccalaureate Organization. The courses are designed to develop strong writing and critical thinking skills and to promote international understanding and responsible citizenship. Through five Areas of Interaction (approaches to learning, community service, human ingenuity or human creativity, the environment and health and social education) students focus on connections among the disciplines and between subject content and the real world. Students successfully completing MYP may apply for admission to the International Baccalaureate Programme located at York High School.

- ◆ Instructional Technology

While all Division schools have integrated technology into the classroom and instructional program, eight schools are utilizing mobile laptops to integrate technology into everyday instruction. A mobile lab is an innovative alternative to a hard-wired classroom lab and creates more flexibility in the computer-learning environment. These labs consist of thirty laptops on rolling tables that can be easily transported from room to room. A teacher can use as many or as few of these computers as needed – allowing multiple classrooms to use the lab at the same time, something that is not feasible in a standard computer lab.

- ◆ Division continues to grow with the community.

Several construction projects were started or completed during the 2007-08 school year:

- Completed installation of synthetic turf on Bailey Field at the York High School athletic complex at a cost of \$600,000, \$200,000 less than the \$800,000 budget for the project.
- Completed a \$12 million addition and renovation of Yorktown Middle School. The renovation includes HVAC, lighting, floor, ceiling, painting, electrical and the addition of classrooms for the New Horizons Regional Education Center autistic program.
- Began an \$800,000 addition of 4 classrooms at Magruder Elementary School to meet classroom space needs for students presently enrolled that exceed building capacity in the School Division.
- Began a \$2.3 million addition of 10 classrooms at Dare Elementary School to meet

classroom space needs for students presently enrolled that exceed building capacity in the School Division.

◆ Future Initiatives

In the future, the School Division will continue to focus available resources on maintaining or reducing student to teacher ratios. Available revenues will also be directed toward programs and initiatives that will enhance the School Division's ability to continue to meet or exceed the State Standards of Learning and the requirements of the federal *No Child Left Behind* legislation.

Maintain a competitive compensation plan for licensed and non-licensed staff.

Major facility additions planned for fiscal year 2009 include the completion of the addition of 4 classrooms to Magruder Elementary School and the addition of 10 classrooms to Dare Elementary School. A major capital improvement project planned for the future is the addition of 10 classrooms to Yorktown Elementary Math, Science and Technology Magnet School. The additional classroom space is needed to meet classroom space needs for students presently enrolled that exceed building capacity in the School Division.

Cash Management

Cash and temporary investments pertaining to the School Division's funds (except school activity account funds) are pooled and invested with the cash and temporary investments of the County. The County Treasurer, through daily activity with several local banking institutions, carries out an aggressive cash management program. Temporary idle funds are invested promptly in repurchase agreements and other instruments that are secured or collateralized by governmental securities as required by the Code of Virginia.

Independent Audit

An annual audit of the books of accounts, financial records, and transactions of all departments of the School Division has been performed by Cherry, Bekaert and Holland, L.L.P., Certified Public Accountants. The auditors' report, which includes their unqualified opinion on the basic financial statements of the School Division, is contained in this report.

Risk Management

The School Board's risk management program is designed to protect the investment of taxpayers by identifying and reducing risks that confront the School Division. The School Board manages the program with a combination of in-house staff and third-party administrators. For fiscal year 2008, the School Division contracted with a third party to administer a large deductible workers' compensation program with risk of up to \$500,000 for each occurrence.

Instructional Leadership Awards

- ◆ A Quality Assurance Review was conducted by the Council on Accreditation and School Improvement (CASI) of the Southern Association of Colleges and Schools (SACS) on the

York County School Division in the Spring of 2007. This review is required every 5 years for the division to meet the Standards of Accreditation.

Based on an extensive review of documentation, a review visit from March 19-21, 2007 and interviews of a representative set (over 300 individuals) of stakeholders throughout the School Division and the County, the Quality Assurance Review team reported that the school system satisfactorily met the expectations and responsibilities for the SACS CASI review for Division Accreditation.

This is a nationally recognized accreditation in which only approximately 100 school divisions in the nation earned.

- ◆ The York County School Division received special designation as a 2005-2006 *Super System for Quality Schools* from the Southern Association of Colleges and Schools Council on Accreditation and School Improvement. Only 54 of 134 school divisions in Virginia were awarded this honor, given to divisions that have all eligible elementary, middle, and secondary schools accredited.
- ◆ Grafton High School, one of four high schools in the school division, was named one of America's Best High Schools in the 2008 *U.S. News and World Report* ranking of America's Best High Schools. Using methodology developed by School Evaluation Services, a k-12 education data research business operated by Standard and Poor's, 18,790 public high schools were analyzed using a three-step process. The 100 high schools that did the best earned gold medals. The next 405 top-performing high schools earned silver medals. Grafton high School was one of only two high schools in the entire Hampton Roads region that earned a silver medal.

Financial Reporting Certificate Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the York County School Division for its comprehensive annual financial report for the fiscal year ended June 30, 2007. In addition, the Association of School Business Officials of the United States and Canada (ASBO) awarded a Certificate of Excellence in Financial Reporting to the York County School Division for its comprehensive annual financial report for the fiscal year ended June 30, 2007. In order to be awarded a Certificate of Achievement from the GFOA or a Certificate of Excellence from ASBO, a governmental entity must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate is the highest form of recognition awarded in the field of governmental financial reporting.

A Certificate is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. We also believe that our current comprehensive annual financial report continues to meet the Certificate of Excellence program requirements and we are submitting it to ASBO to determine its eligibility for another certificate.

Budget Presentation Awards

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the York County School Division for its annual budget for the fiscal year beginning July 1, 2007. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device. In addition, the Association of School Business Officials of the United States and Canada (ASBO) presented a Meritorious Budget Award to the York County School Division for its annual budget for the fiscal year beginning July 1, 2007. This program is designed to recognize school systems for achieving excellence in their school system budget presentation. The foundation of this program is a set of criteria developed by ASBO.

Both the GFOA and ASBO budget presentation awards are valid for a period of one year only. We believe that our budget for the current fiscal year beginning July 1, 2008 continues to meet both programs requirements and we have submitted it to the GFOA and ASBO to determine its eligibility for another award.

Acknowledgments

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated service of the entire staff of the Department of Finance. We would also like to thank the members of the School Board for their interest and support in planning and conducting the financial operations of the School Division in a responsible and progressive manner.

Respectfully submitted,



Eric Williams, Ed. D.
Division Superintendent



Dennis R. Jarrett
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The York County
School Division, Virginia

For its Comprehensive Annual
Financial Report

for the Fiscal Year Ended

June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

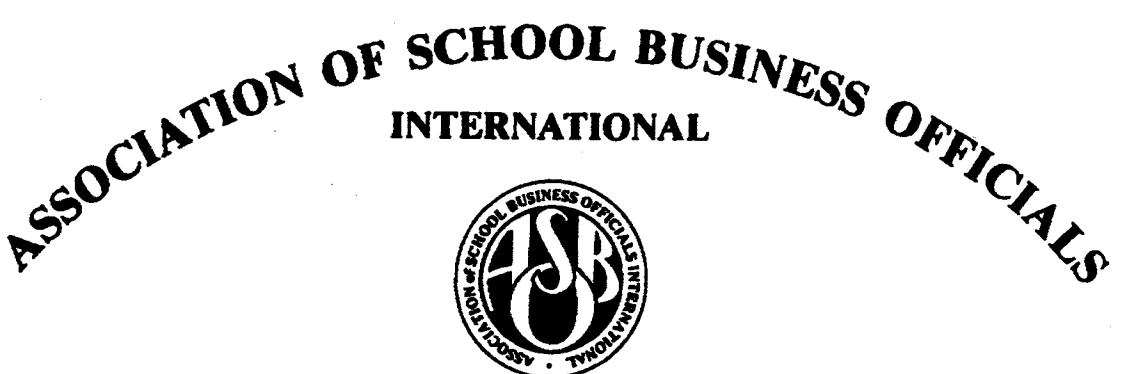


Clare S. Cox

President

Jeffrey P. Evans

Executive Director



This Certificate of Excellence in Financial Reporting is presented to

YORK COUNTY SCHOOL DIVISION

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2007

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

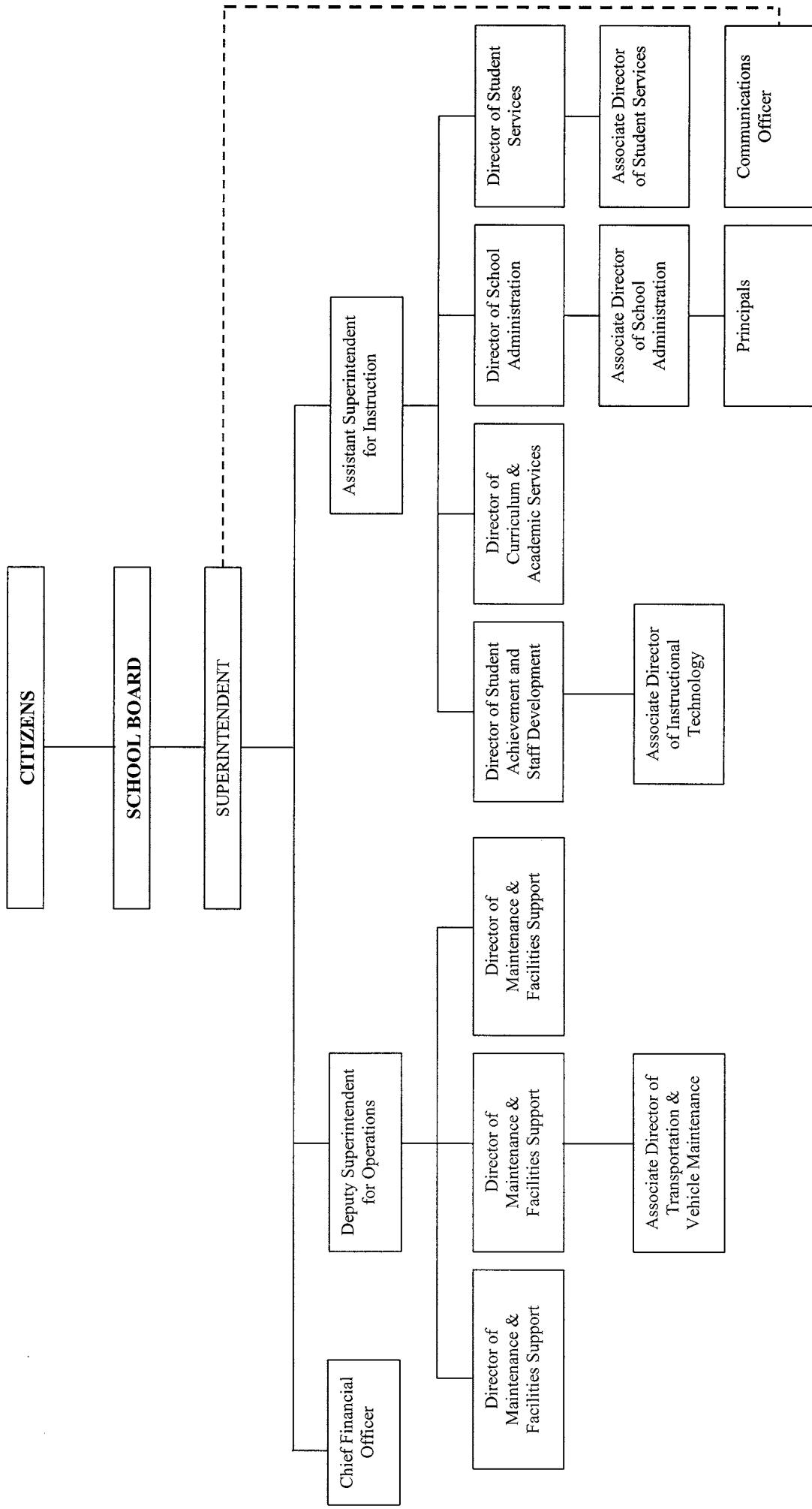
A handwritten signature in black ink, appearing to read "Jerome E. Brendel".

President

A handwritten signature in black ink, appearing to read "John D. Musso".

Executive Director

YORK COUNTY SCHOOL DIVISION ORGANIZATION CHART
As of June 30, 2008



THE YORK COUNTY SCHOOL DIVISION

Members of the School Division and School Division Officials
June 30, 2008

School Division

R. Page Minter, Chair
Linda S. Meadows, Vice-Chair
Robert W. George, D.D.S.
Barbara S. Haywood
Mark A. Medford

School Officials

Superintendent of Schools	Dr. Steven R. Staples
Chief Academic Officer	Dr. Jennifer B. Parish
Chief Financial Officer	Dennis R. Jarrett, CPA, CPFO
Chief Human Resources Officer	Dr. James R. Tucker
Chief Operations Officer	Dr. Carl L. James
Director of Academic Services and Instructional Technology	Linda G. Reviea
Director of Curriculum and Student Achievement	Dr. Lucia V. Sebastian
Director of Information Services	Douglas M. Meade
Director of Maintenance and Facilities Support	Greg A. Dolak
Director of School Administration	Vacant
Director of Student Services	Dr. Bondy Shay Gibson

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FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITORS

Members of the School Board
York County School Division

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the York County School Division, a component unit of the County of York, Virginia, as of and for the year ended June 30, 2008 which collectively comprise the School Division's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the York County School Division's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and aggregate remaining fund information of the York County School Division as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2008, on our consideration of the York County School Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis, the budgetary comparison schedules of the general fund and the schedule of funding progress are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the York County School Division's basic financial statements. The introductory section, other supplemental information, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cherry, Bekannt & Holland, C.P.A.

Richmond, Virginia
November 25, 2008

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York County School Division
Management's Discussion and Analysis
For the Year Ended June 30, 2008

The discussion and analysis of the York County School Division's (hereafter School Division) financial performance provides an overall review of the School Division's financial activities for the fiscal year ended June 30, 2008 (FY 2008). The intent of this discussion and analysis is to look at the School Division's financial performance as a whole; readers should also review the transmittal letter at the front of this report and the School Division's financial statements and notes to the basic financial statements which immediately follow this section, to enhance their understanding of the School Division's financial performance.

Financial Highlights

- For the governmental funds, General Fund revenues accounted for \$117.0 million or 94.8% of all revenues and expenditures were \$114.7 million or 88.5% of all expenditures, compared to \$112.8 million (85.8%) in revenues and \$112.4 million (87.6%) in expenditures in FY 2007.
- The School Division had a break-even year with net assets decreasing \$.5 million to a total of \$137.3 million. The value of net assets reflects the financial health of the School Division and includes certain assets procured with debt. The School Division is a component unit of, and fiscally dependent on the County of York. As such, all debt related to School Division assets is shown on the County's statement of net assets.
- Food Services ended the fiscal year with a fund balance of \$477,066, a decrease of \$30,807 over the beginning of year fund balance. This decrease is due to increased enrollment and costs of food services due to rising fuel costs in FY 2008, without a corresponding increase in the rates charged to students for food services. The increased costs were however slightly offset by approximately \$100,000 in additional State and Federal grant funding.

Using This Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report consists of 4 sections: introductory, financial, statistical, and compliance.

As illustrated in Figure A-1, the financial section of this annual report consists of three parts: *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*.

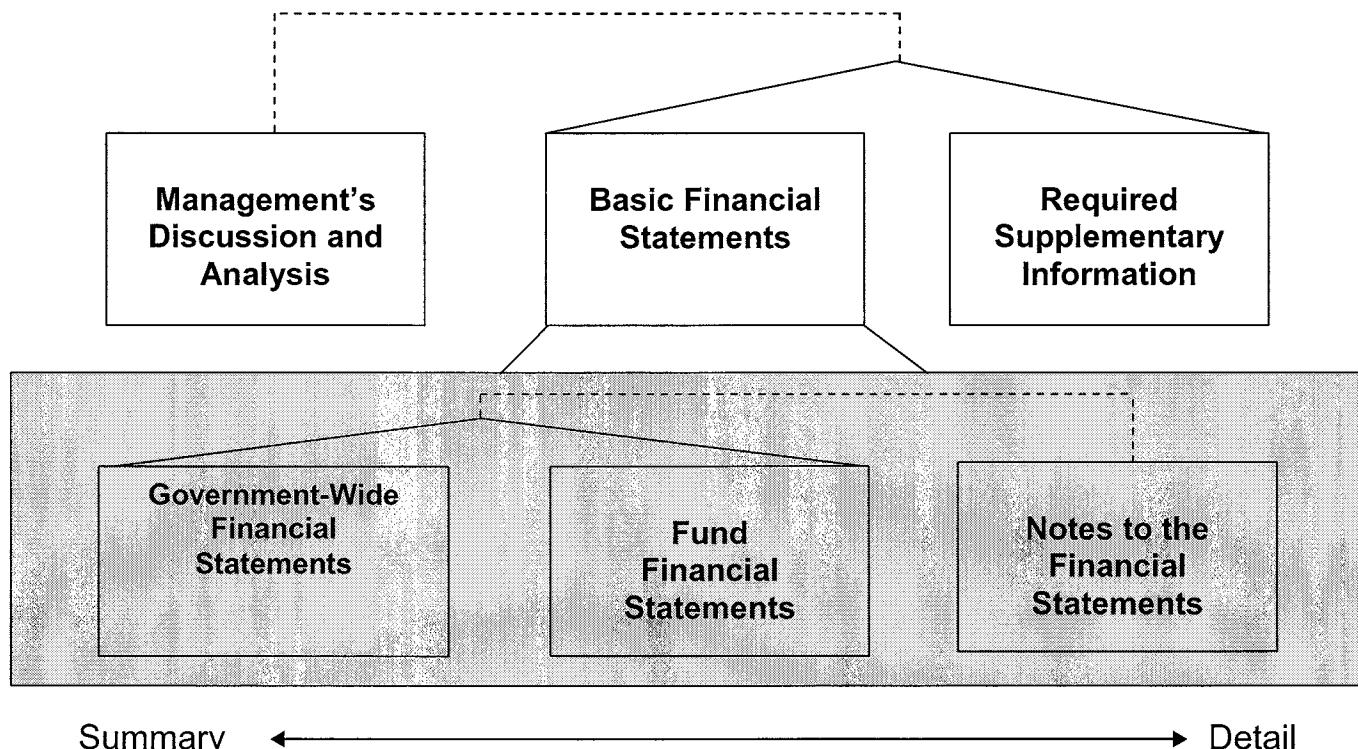
The basic financial statements include two kinds of statements that present different views of the School Division.

- The first two statements are *Government-wide financial statements* that provide both *short-term* and *long-term* information about the School Division's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School Division, reporting the School Division's operations in *more detail* than the School Division-wide statements.
- The *governmental funds statements* tell how basic services, such as regular and special education, were financed in the *short term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the School Division acts solely as a *trustee or agent*.

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the financial statements with a comparison of the School Division's budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

FIGURE A-1

Organization of York County School Division Annual Financial Report



Using This Comprehensive Annual Financial Report (Continued)

Figure A-2 summarizes the major features of the School Division's financial statements, including the portion of the School Division's activities they cover and the types of information they contain. The remainder of the overview section of the MD&A highlights the structure and contents of each of the financial statements.

FIGURE A-2

Major Features of the Government-Wide and Fund Financial Statements			
	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire School Division (except fiduciary funds)	The activities of the School Division that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School Division administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures, and changes in fund balances	*Statement of fiduciary net assets *Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Government-Wide Statements

The Government-wide statements report information about the York County School Division as a whole using accounting methods similar to those used in private-sector companies. While this document contains a number of funds used by the School Division to provide programs and activities, the view of the School Division, as a whole, looks at all financial transactions and asks the question, "How did we do financially during FY 2008?" The statement of net assets and the statement of activities answer this question. These statements report all of the assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The two Government-wide statements report the School Division's *net assets* and how they have changed. Net assets - the difference between the School Division's assets and liabilities - are only one way to measure the School Division's financial health or position.

- Over time, increases or decreases in the School Division's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the School Division, additional non-financial factors may also be relevant, such as changes in the County tax base, the condition of school buildings and other facilities, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the School Division reports only activities related to governmental-type activities, since it has no business-type activities. The School Division's governmental-type activities include: instruction, administration/attendance and health, transportation, operations and maintenance, food service, and interest on capital leases and capital projects.

Fund Financial Statements

The fund financial statements provide more detailed information about the School Division's most significant or "major" funds. Funds are accounting devices that the School Division uses to help keep track of specific sources of funding and spending for particular purposes.

The School Division has two types of funds:

- *Governmental Funds:* Most of the School Division's activities are reported in governmental funds, which focus on how much money flows into and out of those funds and the balances remaining at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School Division's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer resources that can be spent in the near future to finance educational programs. Because the governmental funds information does not encompass the additional long-term focus of the School Division-wide statements, additional information has been added in the form of a reconciliation between the total fund balances of the governmental funds and the total net assets of the School Division-wide activities.
- *Fiduciary Funds:* The School Division is trustee or fiduciary for the York County School Board Benefit and Pension Trust Fund. All of the fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the division-wide statements because the School Division cannot use these assets to finance its operation. The student activity monies are also accounted for in this fund type, as an agency fund.

Financial Analysis of the School Division as a Whole

Net Assets:

The condensed statement of net assets below describes the financial position of the School Division on June 30, 2008. The School Division's financial position remained stable during fiscal year 2008. The largest portion of the School Division net assets reflects its investment in capital assets (buildings, land, equipment, and construction-in-progress). Capital assets account for 96.5% of the total net assets and have increased by \$6.1 million since June 30, 2007. The only debt netted against capital assets is for capital leases. As a component unit (School Division) in Virginia, the School Division does not have the authority to issue debt. All debt is issued by the County of York and, therefore, is shown as a liability on its statement of net assets. In years where there are substantial additions to capital assets that are funded through the issuance of County debt, the School Division will have substantial increases in net assets invested in capital assets, net of related debt. A more detailed discussion on debt is contained in a later section entitled "Outstanding Long-Term Debt".

The other components of net assets are restricted net assets and unrestricted net assets. Restricted net assets represent those resources that have externally imposed constraints on their use. Unrestricted net assets are those resources that may be used to meet the obligations placed on the School Division by its creditors and to pay for ongoing operations of the School Division. Restricted net assets of \$8.4 million from unspent bond proceeds contributed by York County were fully expended for capital projects during the current year. At the end of the fiscal year, unrestricted net assets amounted to \$4.9 million, an increase of \$1.6 million from June 30, 2007. Both components of net assets show positive balances.

Condensed Statement of Net Assets (in millions)			
	Governmental Activities 2008	Governmental Activities 2007	Total Percentage Change
Assets			
Current and other assets	\$ 25.6	\$ 31.2	-17.9%
Capital assets	132.5	126.4	4.8%
Total assets	158.1	157.6	0.3%
Liabilities			
Current liabilities	17.8	17.3	2.9%
Long-term liabilities	3.0	2.5	20.0%
Total liabilities	20.8	19.8	5.1%
Net assets			
Invested in capital assets, net of related debt	132.4	126.1	5.0%
Restricted	-	8.4	-100.0%
Unrestricted	4.9	3.3	48.5%
Total net assets	\$ 137.3	\$ 137.8	-0.4%

Financial Analysis of the School Division as a Whole (Continued)

Net Assets: (Continued)

The following table summarizes the changes in the School Division's net assets for the year ended June 30, 2008.

	Changes in Net Assets (in millions)			
	Governmental Activities 2008	Governmental Activities 2007		Total Percentage Change
Revenues				
Program revenues				
Charges for services	\$ 3.1	\$ 3.2		-3.1%
Operating grants and contributions	63.8	61.4		3.9%
Capital grants and contributions	1.9	1.2		58.3%
General revenues				
County	42.9	52.8		-18.8%
Shared intergovernmental revenues	10.9	11.3		-3.5%
Revenues from the use of money and property	2.2	1.2		83.3%
Miscellaneous revenues	0.4	0.4		0.0%
Total revenues	125.2	131.5		-4.8%
Expenses				
Instruction	93.3	90.0		3.7%
Administration/attendance and health	9.1	8.6		5.8%
Transportation	6.6	6.1		8.2%
Operations and maintenance	12.3	12.1		1.7%
Food service	4.4	4.1		7.3%
Interest on capital leases	-	0.0		-100.0%
Total expenses	125.7	120.9		4.0%
Change in net assets	(0.5)	10.6		104.7%
Net assets - beginning of year	137.8	127.2		8.3%
Net assets - end of year	\$ 137.3	\$ 137.8		-0.4%

Note: Totals may not add due to rounding.

Financial Analysis of the School Division as a Whole (Continued)

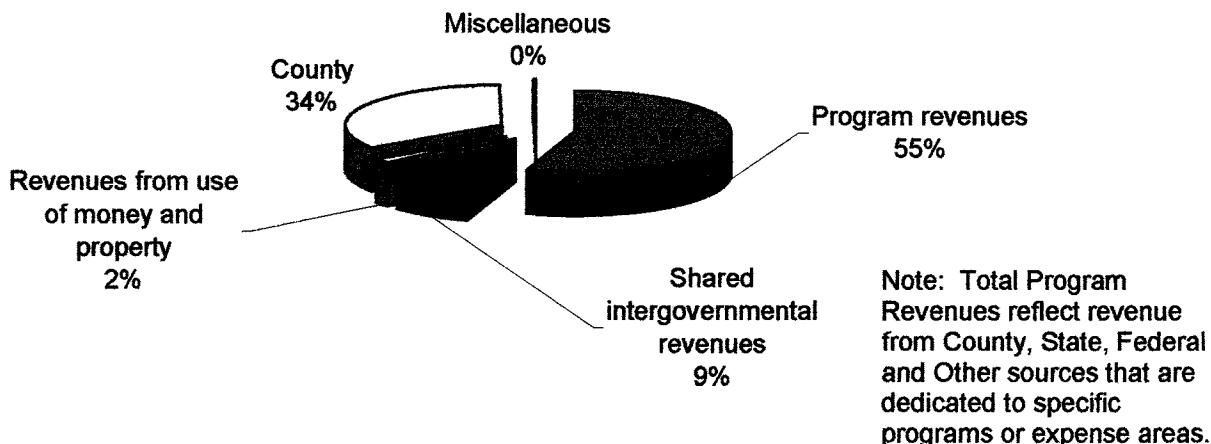
Changes in net assets:

For the fiscal year ended June 30, 2008, revenues from governmental activities totaled \$125.2 million. State and federal revenue for operating grants and contributions account for 51.0% of the School Division's resources as compared to 46.8% for the fiscal year ended June 30, 2007. This includes state funding for meeting the Standards of Quality and federal impact aid. Revenues from the County totaled \$42.9 or 34.2% of the total revenues as compared to \$52.8 or 40.1% for the fiscal year ended June 30, 2007. The decrease in County funding relates to a major portion of the capital projects in FY08 being funded from fund balance.

The total cost of all programs was \$125.7 million in FY 2008. Instruction made up 74.2% of the total costs of the School Division in FY 2008 and 74.5% in FY 2007. The School Division's operations and maintenance activities accounted for 9.7% of total costs for FY 2008 while administration/attendance and health amounted to 7.2% of total costs.

For the fiscal year ended 2008, expenses exceeded revenues by a total of \$.5 million. A substantial portion of the decrease in Net Assets results from the funding of capital projects from fund balance.

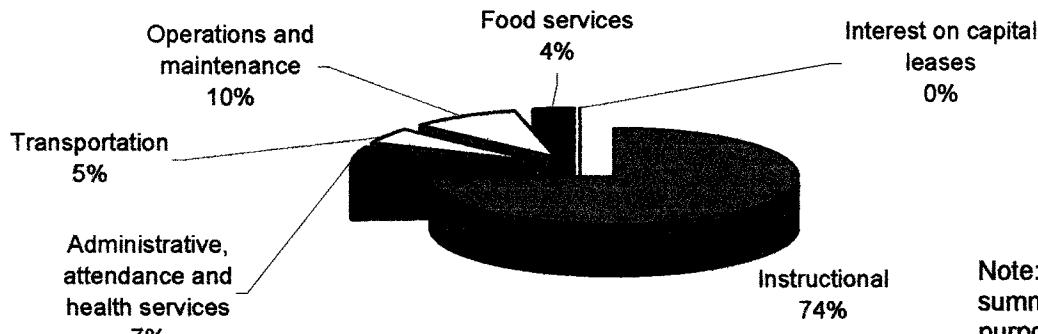
Fiscal Year 2008 Revenues



Financial Analysis of the School Division as a Whole (Continued)

Changes in net assets: (Continued)

Fiscal Year 2008 Expenses



Note: Expenses are summarized for display purposes. Each section may include one or more specific program areas.

Governmental Activities

The three primary sources of revenue for the School Division are from the County of York, the Commonwealth (State) of Virginia, and the United States Department of Education. State and federal government funding is included in Total Program Revenues. Funding from the County is provided by the York County Board of Supervisors.

State funding is provided through a formula that calculates the State share of the cost of education, as determined in the Standards of Quality, including basic aid and categorical funds. Sales tax (Shared Intergovernmental Revenue) revenue totaled \$10.9 million in FY 2008.

Federal funding comes to the School Division from federal grants and impact aid. Impact aid is designed to reimburse school districts for the loss of revenue due to the presence of the federal government. This is an important reimbursement source of revenue to the School Division since the federal government does not pay property taxes.

The following table shows, for government-type activities, the total cost of services and the net cost of services. The net cost of services reflects the support to be provided by tax revenue, state aid, and federal aid not restricted to specific programs.

	Net Cost of Governmental Activities (in millions)			
	Total cost of services 2008	Total cost of services 2007	Net cost of services	
			2008	2007
Instruction	\$ 93.3	\$ 90.0	\$ 28.6	\$ 28.1
Administration/attendance and health	9.1	8.6	9.1	8.6
Transportation	6.6	6.1	6.6	6.1
Operations and maintenance	12.3	12.1	12.3	12.1
Food service	4.4	4.1	0.3	0.1
Total expenses	\$ 125.7	\$ 120.9	\$ 56.9	\$ 55.0

Significant changes in governmental activities include:

- The cost of all governmental activities was \$125.7 million.
- The net cost of governmental activities was \$56.9 million.
- The federal and state governments subsidized certain programs with operating and capital grants and contributions of \$65.7 million.
- Most of the School Division's net cost of services of \$56.9 million was funded by the County and state taxpayers.
- Food Service's net cost of services of \$0.3 million was funded primarily by payments related to a performance contract with the food service management company (Aramark).

Financial Analysis of the School Division's Funds

The strong financial performance of the School Division is also reflected in its major governmental funds, the General Fund and the Capital Projects Fund. As the School Division completed the year, the General Fund reported a fund balance of \$8.8 million or a \$2.3 million increase from the fund balance reported for the fiscal year ended June 30, 2007. The Capital Projects Fund reported a fund balance at the end of FY 2008 of \$.2 million or an \$8.4 million decrease from the fund balance reported for the fiscal year ended June 30, 2007. The decrease of \$8.4 million relates to the expenditure of funds designated for construction and construction funds reserved for encumbrances. The Food Service Fund, the non-major governmental fund, reported a fund balance of \$.5 million at the end of FY 2008, representing only a minor change from the fiscal year ended June 30, 2007 reported fund balance.

General Fund Budgetary Highlights

The School Division's budget is prepared in accordance with Virginia School Laws. The most significant budgeted fund is the General Fund. During the course of FY 2008, the School Division amended its general fund budget as follows:

- Amended appropriation of \$4,282,348 to reflect the carryover of encumbrances from FY 2007 to FY 2008.
- Supplemental appropriations totaling \$937,093 for increases in state grant and basic aid allocations.
- Amended appropriation of \$86,177 for carryover of electronic classroom funds.

The School Division's final budget for the General Fund anticipated that revenue and expenditures would equal. The actual results for the year mimic expectations and show a net change in fund balance of \$2,325,918. General Fund revenues were \$117.0 million or 3.7% greater in FY 2008 as compared to FY 2007. This increase, for the most part, was driven by increases in state, federal and county funding. State revenue increased \$2.4 million or 4.0% in FY 2008 as compared to the previous fiscal year.

General Fund actual expenditures were \$7.9 million less than the final budgeted amount. Significant factors contributing to the variance include:

- Outstanding encumbrances at June 30, 2008 are not reflected in the budget comparison schedule.
- Personnel savings due to vacant positions, staff on leave without pay, and personnel attrition.
- Portions of state and federal grants were carried forward to FY09.

Capital Assets

At the end of FY 2008, the School Division had \$132.5 million (a 4.9% increase from FY 2007) invested in furniture and equipment, land, buildings, and construction in progress in governmental-type activities. The following table displays FY 2008 balances, net of accumulated depreciation. More detailed information about capital assets can be found in Note 3 to the financial statements.

Capital Assets, net of depreciation (in millions)			
	Governmental Activities 2008	Governmental Activities 2007	Total Percentage Change
Land	\$ 4.8	\$ 4.9	-2.0%
Construction in progress	1.1	5.5	-80.0%
Depreciable capital assets	<u>126.6</u>	<u>116.0</u>	9.1%
Total	\$ 132.5	\$ 126.4	4.8%

Major capital asset additions for FY 2008 included:

- Completed installation of synthetic turf on Bailey Field at the York High School athletic complex at a cost of \$600,000, \$200,000 less than the \$800,000 budget for the project.
- Completed a \$12 million addition and renovation of Yorktown Middle School. The renovation includes HVAC, lighting, floor, ceiling, painting, electrical and the addition of classrooms for the New Horizons Regional Education Center autistic program.
- Began an \$800,000 addition of 4 classrooms at Magruder Elementary School to meet classroom space needs for students presently enrolled that exceed building capacity in the School Division.
- Began a \$2.3 million addition of 10 classrooms at Dare Elementary School to meet classroom space needs for students presently enrolled that exceed building capacity in the School Division.

The following major capital projects are included in the School Division's FY 2009 capital budget:

- Replacement of the roof at Waller Mill Elementary School.
- Construction of 10 additional classrooms at Yorktown Elementary School to accommodate additional enrollment.

Funding for the FY 2009 capital projects includes \$2.7 million in appropriated funds from the County of York.

Outstanding Long-Term Debt

School Divisions in the Commonwealth of Virginia are fiscally dependent, in that they do not have taxing authority and rely upon appropriations from the County/City. Only government entities with taxing authority are legally permitted to incur long-term debt, therefore all debt required for capital projects for the School Division is incurred by the County. As a result, the County of York government retains the liability for the portion of general obligation bonds issued to fund capital projects for the School Division.

The County Government appropriates funds to the School Division for the education of the students of the County of York. The School Board, in its annual budget process and in consultation with the County, determines the amount of these funds to support the financing of capital projects for the School Division.

The School Division's long-term debt is related to compensated absences, workers' compensation claims, and capital leases on equipment. Long-term debt had a net increase of approximately \$0.5 million, due to an increase in claims liabilities. The following table lists the long term debt for the School Division.

York County School Division - Outstanding Debt (in millions)			
	Governmental Activities 2008	Governmental Activities 2007	Total Percentage Change
Compensated absences	\$ 1.6	\$ 1.7	-5.9%
Workers' compensation claims	2.9	2.2	31.8%
Capital leases payable	0.2	0.3	-33.3%
Total	\$ 4.7	\$ 4.2	11.9%

Additional information on the School Division's long-term debt can be found in Note 5 of the financial statements.

Factors influencing future budgets:

The FY 2009 budget provides funding for the following significant costs:

- A step increase and a 4.0% average market salary adjustment for licensed staff (teachers) and a 2.0% average market salary adjustment for non-licensed staff.
- A significant increase in the employer contribution for health insurance for participating employees.
- The restoration of thirteen teacher positions that were eliminated in FY08 due to funding constraints.
- Funding to support the capital projects included in the FY 2009 – 2014 CIP.

Factors influencing future budgets (*continued*)

At the time these financial statements were prepared and audited, the School Division was aware of the following existing circumstances that could significantly affect its financial health in the future.

- The Commonwealth of Virginia will be considering the second year of the biennium budget for FY 2009 and FY 2010 during the 2009 General Assembly session. The impact on the School Division of the new biennium budget is unknown at this time. However, due to economic conditions, the Governor has publicly stated that it is very likely that elementary and secondary public education funding would be reduced in FY10. The Governor is anticipated to release his proposed FY10 budget in late December 2008.
- Several capital projects are planned for FY10. Whether those projects will be postponed due to economic conditions is being monitored.
- The Federal government will be considering the budget for Impact Aid for FY 2010 during the next Congressional session. The impact on the School Division of the new Federal budget is also unknown at this time.

Contacting the York County School Division's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, parents, students, and creditors with a general overview of the School Division's finances and to show the School Division's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department at York County School Division, 302 Dare Road, Yorktown, Virginia 23692, (757) 898-0303.

BASIC FINANCIAL STATEMENTS

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The York County School Division

Statement of Net Assets

June 30, 2008

	Governmental Activities
Assets	
Cash and investments	\$ 10,213,484
Other receivables	20,896
Due from primary government	10,385,555
Due from other governments	2,477,540
Prepaid expenses	2,500,869
Capital assets:	
Land	4,826,494
Construction in progress	1,076,658
Buildings, improvements and equipment, net	<u>126,608,333</u>
Total capital assets	<u>132,511,485</u>
Total assets	<u>158,109,829</u>
Liabilities	
Vouchers and accounts payable	3,426,510
Retainage payable	74,195
Salaries, taxes and benefits payable	12,253,840
Unearned revenue - prepaid lunches	58,399
Due to primary government	280,075
Due within one year	1,745,769
Due in more than one year	2,993,876
Total liabilities	<u>20,832,664</u>
Net assets	
Invested in capital assets, net of related debt	132,335,874
Unrestricted	<u>4,941,291</u>
Total net assets	<u>\$ 137,277,165</u>

The accompanying notes are an integral part of the basic financial statements.

The York County School Division

Statement of Activities
Year Ended June 30, 2008

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
Instructional	\$ 93,310,028	\$ 387,460	\$ 62,521,873	\$ 1,845,686	\$ (28,555,009)
Administrative, attendance, and health services	9,114,161	-	-	-	(9,114,161)
Transportation	6,655,318	-	-	-	(6,655,318)
Operations maintenance	12,257,005	-	-	-	(12,257,005)
Food services	4,406,639	2,756,616	1,314,786	-	(335,237)
Interest on capital leases	12,576	-	-	-	(12,576)
Total governmental activities	125,755,727	3,144,076	63,836,659	1,845,686	(56,929,306)
Total primary government	\$ 125,755,727	\$ 3,144,076	\$ 63,836,659	\$ 1,845,686	(56,929,306)
General revenues:					
Payments from the County of York (unrestricted)					42,878,956
Shared intergovernmental revenues (unrestricted)					10,937,058
Revenues from use of money and properties					2,196,245
Miscellaneous					363,643
Total general revenues and transfers					56,375,902
Change in net assets					(553,404)
Net assets - beginning					137,830,569
Net assets - ending					\$ 137,277,165

The accompanying notes are an integral part of the basic financial statements.

The York County School Division

**Balance Sheet
Governmental Funds
June 30, 2008**

	General	Capital Projects	Non-major Governmental Fund	Total Governmental Funds
Assets				
Cash and temporary investments	\$ 8,967,539	\$ 720,510	\$ 525,435	\$ 10,213,484
Other receivables	7,493	1,281	12,122	20,896
Due from primary government	10,385,555	-	-	10,385,555
Due from other governments	2,436,857	-	40,683	2,477,540
Prepaid expenditures	2,500,869	-	-	2,500,869
Total assets	\$ 24,298,313	\$ 721,791	\$ 578,240	\$ 25,598,344
Liabilities and fund balances				
Liabilities:				
Vouchers and accounts payable	\$ 2,973,450	\$ 431,753	\$ 21,307	\$ 3,426,510
Retainage payable	-	74,195	-	74,195
Salaries, taxes and benefits payable	12,227,078	5,294	21,468	12,253,840
Due to primary government	280,075	-	-	280,075
Deferred revenue	-	-	58,399	58,399
Total liabilities	15,480,603	511,242	101,174	16,093,019
Fund balances:				
Reserved for:				
Encumbrances	5,905,974	2,226,149	-	8,132,123
Unreserved				
Designated for:				
Self insurance	2,911,736	-	-	2,911,736
Undesignated				
Capital projects fund	-	(2,015,600)	-	(2,015,600)
Special revenue fund	-	-	477,066	477,066
Total fund balances	8,817,710	210,549	477,066	9,505,325
Total liabilities and fund balances	\$ 24,298,313	\$ 721,791	\$ 578,240	\$ 25,598,344

The accompanying notes are an integral part of the basic financial statements.

The York County School Division

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets Year Ended June 30, 2008

Amounts reported for governmental activities in the statement of net assets are different because:

Ending fund balance - governmental funds	\$ 9,505,325
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	132,511,485
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.	(4,739,645)
Net assets of governmental activities	<u>\$ 137,277,165</u>

The accompanying notes are an integral part of the basic financial statements.

The York County School Division

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2008**

	<u>General</u>	<u>Capital Projects</u>	<u>Non-major Governmental Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Intergovernmental:				
From the County of York	\$ 42,015,666	\$ 863,290	\$ -	\$ 42,878,956
From the Commonwealth of Virginia	61,111,352	1,131,018	65,939	62,308,309
From the Federal government	12,347,579	-	1,248,847	13,596,426
Revenues from use of money and property	933,860	219,189	23,932	1,176,981
Charges for services	391,736	-	2,756,616	3,148,352
Miscellaneous	183,938	-	71,294	255,232
Total revenues	116,984,131	2,213,497	4,166,628	123,364,256
Expenditures				
Current - education:				
Instruction	87,648,146	-	-	87,648,146
Administration, attendance and health services	8,945,661	-	-	8,945,661
Pupil transportation	6,645,729	-	-	6,645,729
Operations and maintenance	11,299,971	-	-	11,299,971
Total education	114,539,507	-	-	114,539,507
Food services	-	-	4,197,435	4,197,435
Capital outlay	-	10,634,944	-	10,634,944
Debt service:				
Principal retirement	106,130	-	-	106,130
Interest and fiscal charges	12,576	-	-	12,576
Total expenditures	114,658,213	10,634,944	4,197,435	129,490,592
Excess (deficiency) of revenues over (under) expenditures	2,325,918	(8,421,447)	(30,807)	(6,126,336)
Net change in fund balances	2,325,918	(8,421,447)	(30,807)	(6,126,336)
Fund balance - beginning	6,491,792	8,631,996	507,873	15,631,661
Fund balance - ending	\$ 8,817,710	\$ 210,549	\$ 477,066	\$ 9,505,325

The accompanying notes are an integral part of the basic financial statements.

The York County School Division

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2008

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (6,126,336)
--	----------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense.

Capital outlay	\$ 11,116,434
Assets transferred from primary government	(714,668)
Depreciation expense	<u>(4,154,902)</u> 6,246,864

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets. (114,807)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This is the amount by which payments exceeded proceeds. 106,130

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	37,037
Worker's compensation claims	<u>(702,292)</u> (665,255)

Change in net assets of governmental activities \$ (553,404)

The accompanying notes are an integral part of the basic financial statements.

The York County School Division

Statement of Fiduciary Net Assets
Year Ended June 30, 2008

	Pension Trust Fund Optional Plan	Agency Fund - School Activity Funds
ASSETS		
Cash and investments	\$ -	\$ 1,609,962
Restricted cash	382,519	-
Restricted investments:		
Federal agency bonds and notes	350,016	-
Corporate obligations	79,270	-
Commercial paper	977,785	-
Total investments	1,407,071	-
Accrued income	5,751	-
Total assets	\$ 1,795,341	\$ 1,609,962
LIABILITIES		
Assets held for others	\$ -	\$ 1,609,962
Total liabilities	-	1,609,962
NET ASSETS		
Net assets held in trust for pension benefits	1,795,341	-
Total liabilities and net assets	\$ 1,795,341	\$ 1,609,962

The accompanying notes are an integral part of the basic financial statements.

The York County School Division

Statement of Changes in Fiduciary Net Assets - Pension Trust Fund - Optional Plan
Year Ended June 30, 2008

Additions			
Contributions - Member		\$	300,000
Investment income			
Earning from investments	\$	65,023	
Net depreciation in the fair value of net assets		(115,374)	
			<u>(50,351)</u>
Less investment expense		(17,299)	<u>(67,650)</u>
Total additions			<u>232,350</u>
Deductions			
Benefits	190,159		
Administrative expenses		1,200	<u>191,359</u>
Total deductions			<u>191,359</u>
Net increase			40,991
Net assets held in trust for pension benefits - beginning of year			<u>1,754,350</u>
Net assets held in trust for pension benefits - end of year		\$	<u>1,795,341</u>

The accompanying notes are an integral part of the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

THE YORK COUNTY SCHOOL DIVISION

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements presented for the York County School Division, (School Division) are prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). The School Division's significant accounting and reporting policies are described in the following notes:

The Financial Reporting Entity

The School Division is considered a component unit of the County of York (County). The School Division has no component units. Component units are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: (a) the primary government is accountable for the component unit, and (b) the primary government is able to impose its will upon the component unit (or there is a possibility that the component unit may provide specific financial benefits or impose specific financial burdens on the primary government). The information included in these basic financial statements will also be included in the County of York's basic financial statements because of the significance of the School Division's financial relationship with the County.

The School Board determines educational policy and employs a Superintendent of Schools to administer the School Division's policies. The members of the School Board are elected by the citizens of York County.

The School Division is responsible for elementary and secondary education for the County of York.

The accounting policies of the School Division conform with accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant accounting policies of the School Division:

Basis of Presentation

The School Division's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements: The statement of net assets and the statement of activities display information about the School Division as a whole, except for fiduciary funds. These statements are reflected on a full accrual basis of accounting and economic resources measurement focus, which incorporates long-term assets as well as long-term liabilities. Interfund transfers are eliminated to avoid "doubling up" revenues and expenditures. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net assets presents the financial condition of the governmental type activities of the School Division at year-end. The School Division does not have any business-type activities. The statement of activities presents a comparison between direct expenses and program revenues for each function of the School Division's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore identifiable to a particular function. Expenses are grouped in the following categories: instruction, administration, attendance and health services, transportation, operations and maintenance, capital projects (not capitalized), and food services.

Program revenues include charges paid by the recipient for the goods or services offered by the program or from grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Charges for services include pupil fees, summer school tuition and cafeteria sales. Revenues not classified as program revenues are presented as general revenues of the School Division. The comparison of direct expenses with program revenues identifies the extent to which the governmental function is self-financing or draws from the general revenues of the School Division. The School Division does not allocate indirect expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used, however, are not eliminated in this process.

Fund Financial Statements: During the year, the School Division segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements present financial information of the School Division at this more detailed level. The focus of governmental fund financial statements is on major funds, each displayed in a separate column. The School Division has identified the general fund and the capital project fund as major.

The accounts of the School Division are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The fund statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. The acquisition, use and balances of the School Division's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is based upon the determination of changes in financial position, rather than upon net income determination. The following fund types groups are used by the School Division:

Governmental Funds

Governmental Funds are those through which most governmental functions of the School Division are financed. The acquisition, use and balances of the School Division's expendable financial resources and the related liabilities are accounted for through governmental funds. Governmental fund types use the "flow of current financial resources" measurement focus. This means that generally only current assets and current liabilities are reflected on their balance sheets. Their operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net fund balance. The following are the School Division's governmental fund types:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

General Fund - The General Fund (School Operating Fund) is the general operating fund of the School Division. It is used to account for all financial resources except those accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund (School Construction Fund) is used to account for financial resources to be used for the acquisition or construction of major capital facilities or maintenance of school facilities (other than those financed by the operating fund).

Non-Major Governmental Fund - The non-major Governmental Fund (School Food Services Fund) is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Accordingly, the School Food Services Fund is used to account for the school cafeteria operations. Revenues restricted for cafeteria operations include cafeteria sales and Federal grant reimbursements.

Fiduciary Funds

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. Accordingly, the measurement focus is upon determination of changes in financial position rather than upon net income determination. The Trust and Agency funds consist of the Pension Trust Fund - Optional Plan and the School Activity Funds.

Trust Fund - The Pension Trust Fund - Optional Plan accounts for the revenues and expenses related to the School Division sponsored retirement plan, which is administered by a fiduciary agent of the York County School Division. The Pension Trust Fund - Optional Plan follows the accrual basis of accounting. The recognition of contributions, benefits and refunds use the "flow of economic resources" measurement focus. The costs of plan administration are financed through employer and member contributions and earnings on investments.

Agency Fund - The Agency Fund is custodial in nature and does not involve measurement of results of operations. The School Division's agency fund is the School Activity Funds, which accounts for the student activity monies maintained on behalf of the students by the principal of each school.

Fiduciary funds are not included in the government-wide financial statements.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Governmental activities in the government-wide financial statements and the fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The primary revenues susceptible to accrual include intergovernmental revenues. In applying the subject to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the School Division; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the accrual criteria are met.

The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally, revenues collected within 45 days of year-end are recognized. For grants, revenue is recognized when all eligibility requirements have been met. The primary revenues susceptible to accrual include From the County of York, From the Commonwealth of Virginia, and From the Federal government. Expenditures, other than interest and principal on long-term debt which is recorded when due, are recorded when the fund liability is incurred, if measurable.

Cash, Cash Equivalents and Temporary Investments

Cash and temporary investments are pooled with the cash and investments of the County. The School Division utilizes the pooled cash investment method wherein income from the investment of pooled cash is allocated to the various funds based on the percentage of cash and cash equivalents of each fund to the total pooled cash and cash equivalents. Investments that are held for more than one year to maturity are stated at fair value while investments that are held for less than one year to maturity are stated at amortized cost. The value of investments reflected at amortized cost are not materially different than fair value. The cash in the agency fund represents the student activity funds cash balances in the separate bank accounts maintained by the individual schools. Investments with original maturities of 90 days or less are considered cash equivalents.

Receivables and Due from Other Governments

Amounts due from the Commonwealth of Virginia consist primarily of June sales tax, receivables from state entitlements and reimbursement of grants expenditures. Amounts due from the Federal government are for reimbursement of grants expenditures. Receivables consist primarily of amounts due from students and other customers of the School Division. All amounts should be collected within one year.

Inventory

Inventory is accounted for under the purchase method and is stated at the lower of cost or market on a first-in, first-out basis. The cost is recorded as an expenditure at the time inventory is purchased. USDA donated food commodities are accounted for in the School Food Services Fund at the estimated value at the time of receipt. Revenues are recorded when goods are received and expenditures are recorded as goods are used.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Capital Assets

General capital assets have been acquired for general school purposes. Capital outlays are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements to the extent the School Division capitalization threshold is met.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated assets are recorded at estimated fair market value on the date received. The School Division maintains a capitalization threshold of \$5,000 for equipment, improvements and buildings. Land is capitalized regardless of value. The School Division has no infrastructure assets.

Depreciation is recorded on general capital assets on a government-wide basis. All reported capital assets except land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Description	Estimated useful lives
Buildings	25-80 years
Improvements other than buildings	30-80 years
Machinery and equipment and vehicles	10-25 years

Compensated Absences

Employees are granted vacation and sick pay in varying amounts as services are provided. They may accumulate, subject to certain limitations, unused vacation pay earned and, upon retirement, termination or death, may be compensated as salary related payments for certain amounts at their then current rates of pay. The cost of accumulated compensated absences pay including associated benefits is accounted for as a liability in the government-wide financial statements. Compensated absences are reported in the governmental funds only if they have matured (i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement).

Fund Balances/Net Assets

Fund balances have been classified to reflect the limitations and restrictions placed on the respective funds as follows:

Fund Balances - Reserved - indicates that a portion of fund equity, which has been legally segregated for specific purposes or does not represent available expendable resources.

Fund Balances - Unreserved, Designated - indicates tentative plans for financial resource utilization in future periods.

Fund Balances - Unreserved, Undesignated - represents the remainder of the School Division's equity in governmental fund - type balances.

Net Assets in government-wide financial statements are classified as invested in capital assets, net of related debt, restricted and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through state statute.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements, or transfers. Loans are reported as due to and due from as appropriate and are subject to elimination in the government-wide statements. Services provided are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other Interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide statements.

Retirement Plan

Retirement contributions are actuarially determined and consist of current service costs and amortization of prior service costs over a 30-year period. The School Division's policy is to fund pension cost as it accrues.

Use of Estimates

Management of the School Division has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Management believes any differences between these estimates and actual results should not materially affect the School Division's reporting of its financial position.

2. DEPOSITS AND INVESTMENTS

The Code of Virginia, as amended, requires the election of a County Treasurer. By law, the Treasurer is the custodian of cash investments for both the County of York and the York County School Division, and has powers and duties prescribed by general law. Cash and temporary investments pertaining to the School Division's funds, except the Pension trust fund and the school activity funds, are held with the County Treasurer.

Deposits

All cash is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. Seq. of the Code of Virginia or covered by federal depository insurance. At June 30, 2008, cash and investments of the School Division, held by the York County Treasurer, consisted of:

Bank deposits	\$ 991,079
Investments	9,221,805
Petty cash	600
Total cash and cash equivalents	<u><u>\$ 10,213,484</u></u>

2. DEPOSITS AND INVESTMENTS (*Continued*)

Cash and investments of the School Division's pension trust fund and school activity funds at June 30, 2008 consisted of:

Bank deposits	\$ 1,609,962
Restricted cash	382,519
Investments	1,407,071
Total cash and cash equivalents	<u>\$ 3,399,552</u>

Investments

Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). LGIP is managed in accordance with the "2a7 like pool" risk limiting requirements of GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" with the portfolio securities valued by the amortized cost method. Investments with a maturity date of one year or less are stated at amortized cost. All investments stated at amortized cost approximate the fair value. The fair value of the County's position in the LGIP is the same as the value of the pool shares. All other investments are stated at fair value.

Investment Policy

In accordance with the Code of Virginia and other applicable law, including regulations, the County's investment policy (the Policy) permits investments in U.S. Government obligations, certain municipal bonds, prime quality commercial paper, high grade corporate notes and bonds, bankers acceptances, repurchase agreements, certificates of deposit and other evidences of deposit at financial institutions, money market mutual funds, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a7 like pool).

State statute limits the percentage of the portfolio that can be invested in commercial paper to 35%. The Policy does not impose additional diversification limits, but does require that the portfolio avoid over-concentration in specific security types, issuers and business sectors.

The School Division has a separate funding policy (Trust Policy) for their Pension trust fund. The Trust Policy's principal goal is to invest in funds considering both the safety of principal with long-term stability and moderate capital appreciation commensurate with the expected retirement dates of plan participants; however, these investments should be liquid in order to enable the plan, on short notice, to make distributions of benefits in the event of death, disability or termination of a plan participant. The Trust Policy establishes the percentage of the portfolio that can be invested in fixed income investments to 40% - 70% and equity investments to 25% - 50%.

Custodial Credit Risk

The policy requires that all investment securities purchased by the County be held by an independent third-party custodian and evidenced by safekeeping receipts in the County's name. As of June 30, 2008, all of the County's investments were held in a bank's trust department in the County's name.

2. DEPOSITS AND INVESTMENTS (*Continued*)

Credit Risk

As required by state statute, the Policy requires that commercial paper be rated “prime quality” by at least two nationally recognized statistical rating organizations and corporate notes and bonds must be rated in the AAA or AA categories by both Standard & Poor’s and Moody’s Investor Service. The County’s Policy further limits credit risk by limiting investments in securities that have higher credit risks.

The Trust Policy does not limit credit risk to any specific category.

As of June 30, 2008, the School Division’s investments held by the County Treasurer consisted of \$9,221,805 invested in Virginia LGIP, with a Standard & Poor’s rating of AAA.

The School Divisions Pension trust fund investments as rated by Standard & Poor’s were as follows:

Investment Type	AAA	AA	A-1	Not Rated
Commercial paper	-	397,366	494,149	86,270
Federal agency bonds and notes	350,016	-	-	-
Corporate obligations	-	79,270	-	-
Total investments	\$ 350,016	\$ 476,636	\$ 494,149	\$ 86,270

Concentration of Credit Risk

State statute limits the percentage of the portfolio that can be invested in commercial paper of a single issuer to no more than 5%. The County’s policy does not set additional credit concentration limits. As of June 30, 2008, the School Division’s portfolio held with the County Treasurer complied with the State statute.

As of June 30, 2008, the portion of the School Division’s Pension trust portfolio that exceeded 5% of the total portfolio were the Federal Home Loan Bank and Federal Farm Credit Bank bonds, which represented 16.63% and 9.31%, respectively, of the total investment portfolio.

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the County’s Policy limits the investment portfolio holdings to no more than 18 months, unless approved by the Treasurer.

As of June 30, 2008, the carrying values and weighted average maturity of the School Division’s investments held with the County Treasurer were as follows:

Investment Type	Fair Value	Average Maturity in Years
Virginia LGIP	\$ 9,221,805	-

2. DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2008, the carrying values and weighted average maturity of the School Division's Pension trust fund investments were as follows:

Investment Type	Fair Value	Average Maturity in Years
Commercial paper	920,019	-
Mutual funds	57,766	-
Federal agency bonds and notes	350,016	5.52
Corporate obligations	79,270	6.36
Total investments	<u>\$ 1,407,071</u>	
Weighted average of portfolio		<u>1.36</u>

3. CAPITAL ASSETS – NET

The following is a summary of changes in capital assets for the year ended June 30, 2008:

	July 1, 2007	Additions	Disposals	June 30, 2008
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 4,871,494	\$ 27,469	\$ 72,469	\$ 4,826,494
Construction in progress	5,463,975	1,076,658	5,463,975	1,076,658
Total non-depreciable capital assets	<u>10,335,469</u>	<u>1,104,127</u>	<u>5,536,444</u>	<u>5,903,152</u>
Capital assets depreciated:				
Buildings	149,918,388	12,429,833	-	162,348,221
Improvements	2,415,673	1,438,117	-	3,853,790
Machinery and equipment	1,703,158	280,586	6,673	1,977,071
Motor vehicles	9,002,038	613,078	357,025	9,258,091
Total depreciable capital assets	<u>163,039,257</u>	<u>14,761,614</u>	<u>363,698</u>	<u>177,437,173</u>
Less accumulated depreciation for:				
Buildings	41,451,633	3,163,091	-	44,614,724
Improvements	1,308,622	225,362	-	1,533,984
Machinery and equipment	724,070	144,455	6,673	861,852
Motor vehicles	3,510,973	621,994	314,687	3,818,280
Total accumulated depreciation	<u>46,995,298</u>	<u>4,154,902</u>	<u>321,360</u>	<u>50,828,840</u>
Total depreciable capital assets - net	<u>116,043,959</u>	<u>10,606,712</u>	<u>42,338</u>	<u>126,608,333</u>
Total governmental activities capital assets - net	<u>\$ 126,379,428</u>	<u>\$ 11,710,839</u>	<u>\$ 5,578,782</u>	<u>\$ 132,511,485</u>

3. CAPITAL ASSETS – NET (*Continued*)

Depreciation expense was charged to functions as follows:

Governmental activities:

Instruction	\$ 3,321,859
Administration, attendance and health services	134,617
Pupil transportation	554,692
Operations and maintenance	104,592
Food services	39,142
Total governmental activities depreciation expense	\$ 4,154,902

Construction in progress is composed of the following at June 30, 2008:

	Expended			
	Project authorization	through June 30, 2008	Balance of authorization	Future requirements
School projects	<u>\$ 15,491,579</u>	<u>\$ 1,076,658</u>	<u>\$ 14,414,921</u>	<u>\$ -</u>

The majority of the capital assets was donated to the School Division by the County. The County has issued general obligation bonds and obtained literary loans from the Commonwealth of Virginia on behalf of the School Division. Certain school buildings have been pledged as collateral for the literary loans.

4. LEASES

In July 1997, the School Division replaced the lighting at nine elementary schools, two middle schools and one high school as part of an energy conservation program. The lighting was financed with a capital lease agreement that expired in October 2007. In November 2005, the School Division financed eight new buses with a capital lease agreement that expires in June 2010.

A summary of future minimum lease payments under these capital leases together with the present value of the net minimum lease payments as of June 30, 2008, is as follows:

Fiscal Year	
2009	\$ 94,110
2010	94,110
Total minimum payments	<u>188,220</u>
Less - amount representing interest	<u>(12,609)</u>
Present value of principal	<u><u>\$ 175,611</u></u>

The gross value of capital assets under capital lease agreements is \$970,000 (improvements) and \$495,658 (equipment).

4. LEASES (*Continued*)

The School Division leases certain equipment and office space under non-cancelable operating lease agreements. A summary of future minimum rental payments under non-cancelable operating leases as of June 30, 2008, is as follows:

Fiscal Year	
2009	\$ 180,976
2010	157,862
2011	140,867
2012	138,772
Total minimum payments	<u>\$ 618,477</u>

Rental expenditures for the year ended June 30, 2008 for all operating leases were \$190,039.

Lessor - The School Division leases certain land where radio towers are located. The School Division does not own the radio towers but does own the land. The radio towers are located at York Middle School, York High School, and Waller Elementary School. The School Division also leases a portion of Yorktown Middle School to the New Horizons Regional Education Center. The total cost and accumulated depreciation of the Yorktown Middle School building at June 30, 2008 is \$1,066,600 and \$721,655, respectively.

A summary of future minimum rental receipts under non-cancelable operating leases as of June 30, 2008, is as follows:

Fiscal Year	
2009	\$ 309,286
2010	309,504
2011	309,586
2012	309,533
2013	309,533
Total minimum payments	<u>\$ 1,547,442</u>

Rental revenue for all operating leases was \$197,761 for the year ended June 30, 2008.

5. LONG-TERM LIABILITIES

Long-term liabilities are normally paid from the General Fund.

	Balance			Balance	Due Within
	July 1, 2007			June 30, 2008	One Year
Compensated absences	\$ 1,689,335	\$ 1,097,953	\$ (1,134,990)	\$ 1,652,298	\$ 1,060,000
Claims liabilities	2,209,444	1,156,463	(454,171)	2,911,736	600,000
Capital leases payable	281,741	-	(106,130)	175,611	85,769
Total minimum payments	<u>\$ 4,180,520</u>	<u>\$ 2,254,416</u>	<u>\$ (1,695,291)</u>	<u>\$ 4,739,645</u>	<u>\$ 1,745,769</u>

6. DEFINED BENEFIT PENSION PLANS

Virginia Retirement System (VRS)

Plan Description

The School Division contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System.

Professional and non-professional employees of the School Division are covered by the VRS. Professional employees participate in a VRS statewide teacher cost sharing pool. As of June 30, 1992, non-professional employees of the School Division are also covered by the VRS. The payroll for professional employees covered by VRS for the year ended June 30, 2008, was \$56,169,936; the total payroll was \$60,431,160. The payroll for non-professional employees covered by VRS for the year ended June 30, 2008, was \$6,045,032; the total payroll was \$7,197,211.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of credited service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service and at age 50 with 30 years of service for participating employers, payable monthly for life, in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/2007AnnuRept.pdf> or obtained by writing to the VRS at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

VRS plan members are required, by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. This 5% member contribution may be assumed by the employer. This 5% member contribution has been assumed by the School Division. In addition, the School Division is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Division's contribution rate for employees for the fiscal year ended 2008 was 10.53% of annual covered payroll.

6. DEFINED BENEFIT PENSION PLANS (*Continued*)

Annual Pension Cost

For fiscal year 2008, the School's annual pension cost of \$635,894 for non-professional employees and \$9,053,000 for professional employees was equal to the required and actual contributions.

Three-Year Trend Information - School (non-professional)

Fiscal Year	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
06/30/2008	635,894	100%	-
06/30/2007	640,174	100%	-
06/30/2006	678,920	100%	-

Three-Year Trend Information - School (professional)

Fiscal Year	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
06/30/2008	9,053,000	100%	-
06/30/2007	8,354,935	100%	-
06/30/2006	6,513,698	100%	-

The required contributions for VRS were determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. This actuarial valuation uses the assumptions and methods that were adopted as a result of the 2004 Experience Study. In particular it uses an assumed investment return rate of 7.50%; an assumed annual cost of living adjustment of 2.50%; projected salary increases ranging from 3.75% - 5.60% per year depending on the members service and classification; and retirement, mortality and disability and termination rates that were also based on the 2004 Experience Study prepared for the VRS. A 2.50% inflation adjustment is implicit in the investment rate of return and annual cost of living adjustment. The actuarial value of the School Division's assets is the adjusted market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period at the rate of 20% per year. It reflects only a portion of the excess (or shortfall) between recent investment returns and the corresponding expected returns based on the 8% investment return assumption. The funding excess is being amortized as a level percentage of payroll on an open basis over a remaining period of twenty years.

Contributions are recognized in the period in which amounts are due pursuant to formal commitments, and benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs are paid from the School operating fund.

Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the School's plan was 91.22% funded. The actual accrued liability for benefits was \$12,694,145, and the actuarial value of assets was \$11,580,115, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,114,030. The covered payroll was \$6,100,258, and the ratio of the UAAL to the covered payroll was 18.26%.

6. DEFINED BENEFIT PENSION PLANS (*Continued*)

Funded Status and Funding Progress

The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actual accrued liability for benefits.

York County Public Schools - Optional Plan

Plan Description

The Optional Plan, a single employer defined benefit pension plan, provides pension benefits to non-professional employees of the School Division who were not previously covered by VRS. A fiduciary agent of the School Division administers the optional plan, which provides retirement benefits as well as death and disability benefits. As of June 30, 1992, the optional plan was frozen and the non-professional employees who participated in the plan became fully vested. The non-professional employees now participate in the VRS as noted above. Stand-alone financial reports are not issued for this plan. The optional plan's current membership, as of June 30, 2008, includes 38 active participants, 72 retirees and beneficiaries, and 3 vested terminations.

Significant Accounting Policies

Basis of Accounting - The Optional Plan is accounted for and presented as a pension trust fund. The financial statements of the pension trust fund are prepared using the accrual basis of accounting. Contributions are recognized in the period in which amounts are due, and benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Non-actuarial administrative costs are financed directly from the plan assets. Actuarial administrative costs are paid from the School operating fund.

Methods Used to Value Investments - Investments are reported at fair value. Short-term investments are recorded at cost, which approximates fair value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the School's fiscal year. Investments that do not have an established market are reported at estimated fair value.

Annual Pension Cost

For fiscal year 2008, the School Division's annual pension cost of \$124,695 was equal to the required and actual contributions.

Three-Year Trend Information - School (optional plan)		
Year Ended June 30,	Required Contribution	Percentage Contributed
2006	\$ 124,695	100%
2007	\$ 69,186	100%
2008	\$ 45,750	100%

6. DEFINED BENEFIT PENSION PLANS (Continued)

The required contribution was determined as part of the June 30, 2008 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7% per year compounded annually, (b) post-retirement benefit increases of 2% per year, and (c) percentage of current retiree benefits to be paid of 100%. Because the plan is frozen, no salary increases are projected. A 2.5% inflation adjustment is implicit in the investment rate of return. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis over a period of 20 years. The actuarial value of the School's assets is the market value of the assets, adjusted for accrued contributions and unpaid benefits.

Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the School's plan was 83.6% funded. The actual accrued liability for benefits was \$2,147,410, and the actuarial value of assets was \$1,795,341, resulting in an unfunded actuarial accrued liability (UAAL) of \$352,069.

The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actual accrued liability for benefits.

7. CONTINGENT LIABILITIES

Risk Management

The School Division is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School Division reports all of its risk management activities in its School Operating Fund and pays all claims for retained risks from School Operating Fund resources. The School Division maintains comprehensive property and casualty policies, commercial general liability policies, comprehensive liability vehicle fleet policies and coverages for errors and omissions, and employer's liability and certain other risks with commercial insurance companies. The School Operating Fund retains the full risk for unemployment compensation, up to \$125,000 for each health care claim and up to \$500,000 for each workers' compensation occurrence. All unemployment, health care claims and workers' compensation claims are paid through a third-party administrator through resources from the School Operating Fund. There have been no reductions in insurance coverages from the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past four fiscal years.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The School's health care liability at June 30 is reasonably estimated and has been included in salaries, taxes and benefits payable in the School Operating Fund. The School had available \$2,500,868 for health care claims and \$2,911,736 for workers' compensation claims at June 30, 2008, which is considered sufficient to cover pending claims and incurred but not reported claims that may arise.

7. CONTINGENT LIABILITIES

Risk Management (continued)

Changes in the reported amounts since June 30, 2006 resulted from the following:

	2008	2007
Accrued liability/designated fund balance - beginning of year	\$ 4,183,305	\$ 2,919,794
Claim and changes in estimates	10,554,556	9,721,140
Claims payment	<u>(9,325,257)</u>	<u>(8,457,629)</u>
Accrued liability/designated fund balance - end of year	<u>\$ 5,412,604</u>	<u>\$ 4,183,305</u>

Grants

The School Division received grant funds, principally from the State and Federal Government, for instructional and various other programs. Expenditures from these grants are subject to audit by the grantor, and the School Division is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the management of the School Division, any refunds that may be required as a result of expenditures disallowed by the grantors will not be material to the financial statements.

8. POST-RETIREMENT BENEFITS

In addition to the pension benefits described in Note 6, the School Division provides post-retirement health care benefits, in accordance with School Division policy, to all employees who retire from York County Public Schools with 100 days of accumulated sick leave, 10 years of service and a minimum of 24 months participation in the health insurance program immediately prior to retirement. Currently, 1 retiree participates in this program. The School Division pays a monthly contribution of \$25 toward the health care program premium for a total period of time not to exceed 10 years or until the retiree is eligible for Medicare, whichever occurs first.

Employees retiring after July 1, 2002 and having twenty or more years of service with the School Division and receiving a VRS annuity qualify for a health insurance premium contribution from the School Division. The twenty years need not be consecutive. The retiree's Virginia Retirement System (VRS) annuity may be either a full or reduced benefit. Upon becoming eligible for Medicare, the retiree no longer receives this benefit. The amount of the School Division's contribution shall be equal to 50% of the retiree's total monthly health insurance premium subject to the following provisions. The School Division's 50% contribution is reduced by the amount of any health insurance credit that the retiree may qualify for under the VRS program. Retiring employees who have fifteen years of service with the VRS will qualify for the VRS Retiree Health Insurance Credit Program. At June 30, 2008, 58 retirees were participating in this program. Expenditures for post-retirement health care benefits are recognized as incurred. During the year, expenditures of \$137,125 were recognized as incurred for post-retirement health care.

9. DEFERRED COMPENSATION PLAN

The School Division offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, available to all School Division employees, permits them to defer a portion of their salary to future years. Participation in the plan is optional. The deferred compensation is not available to employees until separation from service, retirement, death, disability, financial hardship and/or reaching age 59½. The School Division offers a selection of investment options to participants. All earnings on the invested funds compound tax-free until withdrawn from the account.

10. TRANSACTIONS BETWEEN PRIMARY GOVERNMENT AND THE SCHOOL DIVISION

The following activities took place between the Primary Government and the School Division during the year ended June 30, 2008:

	Intergovern- mental Revenues From
School Operating Fund	\$ 42,015,666
Capital Projects Fund	863,290
	<u>\$ 42,878,956</u>

<u>Purpose:</u>	
School operations	\$ 42,298,677
School construction	863,290
School operations - carryforward	86,177
Year-end reversion entry	(369,188)
	<u>\$ 42,878,956</u>

	Due From	Due To
Primary Government: General Fund	<u>\$ 10,385,555</u>	<u>\$ 280,075</u>

<u>Purpose:</u>	
Operations support	\$ 10,385,555
Year-end reversion entry	\$ 180,075
Post employment benefit reservation	100,000
	<u>\$ 10,385,555</u>
	<u>\$ 280,075</u>

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

The York County School Division

Schedule of Revenues Budget and Actual - General Fund
Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget <u>Positive (Negative)</u>
Intergovernmental:				
County of York	\$ 42,298,677	\$ 42,298,677	\$ 42,015,666	\$ (283,011)
Commonwealth of Virginia:				
State sales tax	11,462,991	11,462,991	10,937,058	(525,933)
Basic aid	34,722,854	35,115,947	35,601,854	485,907
Lottery	868,215	868,215	906,844	38,629
Adult education	3,712	3,712	4,063	351
RLCC	45,382	45,382	50,912	5,530
Foster home children	314,300	314,300	318,682	4,382
Gifted and talented	188,580	188,580	191,209	2,629
Remedial programs	101,739	101,739	117,154	15,415
Remedial summer school	37,287	37,287	-	(37,287)
Reading intervention	77,241	77,241	89,256	12,015
Special education - SOQ	2,789,415	2,789,415	2,828,304	38,889
Homebound	20,000	20,000	27,749	7,749
Comprehensive services act	267,800	267,800	256,726	(11,074)
Free textbooks	787,951	787,951	798,936	10,985
VOC ED - SOQ	314,300	314,300	318,682	4,382
Special education support	371,275	371,275	306,816	(64,459)
Employer share benefits	4,266,627	4,266,627	4,326,110	59,483
New Horizons-Regional	-	-	237,890	237,890
Other CAT/VOC ED	16,000	16,000	32,074	16,074
At-risk	61,565	61,565	77,064	15,499
K-3 initiative	164,274	164,274	170,183	5,909
SOL algebra readiness	31,651	31,651	31,651	-
Tech Init - FY2005	544,000	1,088,000	1,088,000	-
Miscellaneous grants	457,696	457,696	175,007	(282,689)
ESL	84,578	84,578	99,892	15,314
Salary Supplement	2,066,524	2,066,524	2,119,236	52,712
Total from the Commonwealth of Virginia	60,065,957	61,003,050	61,111,352	108,302

The York County School Division

Schedule of Revenues Budget and Actual - General Fund (continued)
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Federal Government:				
Title I	453,037	448,957	510,350	61,393
Adult recreation	29,500	29,500	32,594	3,094
Title II A	293,746	291,616	307,703	16,087
Title II D	7,919	7,698	2,970	(4,728)
Title IV A	26,549	26,422	21,304	(5,118)
Title V A	13,172	12,881	13,032	151
Impact aid	9,445,000	9,445,000	8,580,517	(864,483)
Department of Defense	-	-	616,510	616,510
Title VI B	1,860,974	1,860,974	1,973,359	112,385
NJROTC	104,000	104,000	107,005	3,005
Miscellaneous grants	763,336	769,735	165,735	(604,000)
Title IIIA	16,489	16,939	16,500	(439)
Total from the Federal Government	13,013,722	13,013,722	12,347,579	(666,143)
Miscellaneous revenues:				
Use of money and property	1,205,600	1,205,600	933,860	(271,740)
Charges for services	340,000	340,000	391,736	51,736
Miscellaneous	306,053	392,230	183,938	(208,292)
Total miscellaneous revenues	1,851,653	1,937,830	1,509,534	(428,296)
Total revenues	\$ 117,230,009	\$ 118,253,279	\$ 116,984,131	\$ (1,269,148)

The York County School Division

Schedule of Expenditures Budget and Actual - General Fund
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Education				
Instruction:				
Classroom instruction services:				
Regular education	\$ 57,146,706	\$ 57,135,322	\$ 55,593,504	\$ 1,541,818
Special education	8,984,543	8,953,769	7,364,518	1,589,251
Vocational education	3,367,991	3,367,991	3,079,358	288,633
Gifted and talented	375,492	375,492	367,455	8,037
Other programs	4,304,863	3,891,956	3,669,163	222,793
Instructional support- student:				
Guidance	2,881,016	2,881,016	2,656,381	224,635
Homebound	60,194	60,194	52,286	7,908
Instructional support- staff:				
Management and staff development	3,565,546	3,574,337	3,623,811	(49,474)
Media services	1,931,381	1,912,542	1,737,423	175,119
Instructional support- school administration:				
Principals' offices	7,382,893	7,339,721	7,120,655	219,066
School carryover	-	2,921,255	2,383,592	537,663
Total instruction	90,000,625	92,413,595	87,648,146	4,765,449
Administration, attendance and health services:				
Board services	127,079	170,898	162,416	8,482
Executive services	572,817	697,817	671,991	25,826
Communication services	405,668	445,668	444,522	1,146
Human resources	1,132,947	1,204,947	1,116,286	88,661
Fiscal services	1,019,624	1,072,624	1,053,894	18,730
Information services	2,712,634	2,851,134	2,822,514	28,620
Health services	1,464,573	1,452,302	1,430,350	21,952
Psychological services	550,002	550,002	528,840	21,162
Speech and audiology services	613,594	613,594	611,336	2,258
School carryover	-	132,268	103,512	29,486
Total administration, attendance and health services	8,598,938	9,191,254	8,945,661	246,323

The York County School Division

Schedule of Expenditures Budget and Actual - General Fund (continued)
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Operating costs:				
Pupil transportation:				
Vehicle operation services	5,386,195	5,536,195	5,159,898	376,297
Vehicle maintenance services	1,325,437	1,925,437	1,242,270	683,167
School carryover	-	263,548	243,561	19,987
Total pupil transportation	6,711,632	7,725,180	6,645,729	1,079,451
Operations and maintenance:				
Management and direction	205,956	205,956	174,488	31,468
Building services	11,078,698	11,195,322	9,735,987	1,459,335
Vehicle services	238,391	238,391	246,345	(7,954)
Warehouse and distribution services	395,769	395,769	365,913	29,856
School carryover	-	1,051,454	777,238	274,216
Total operations and maintenance	11,918,814	13,086,892	11,299,971	1,786,921
Total operating costs	18,630,446	20,812,072	17,945,700	2,866,372
Total education	117,230,009	122,416,921	114,539,507	7,878,144
Debt Service				
Principal	-	106,130	106,130	-
Interest	-	12,576	12,576	-
Total debt service	-	118,706	118,706	-
Total expenditures	\$ 117,230,009	\$ 122,535,627	\$ 114,658,213	\$ 7,878,144

The York County School Division

Schedule of Funding Progress for Defined Pension Benefit Plans (Unaudited)
Year Ended June 30, 2008

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) - Entry Age ₍₁₎ Projected Unit ₍₂₎	Unfunded AAL (UAAL) (Funding Excess)	Funded Ratio	Annual Covered Payroll	UAAL (Funding Excess) as a % of Payroll
School Division Plan - Non-Professional (1)						
June 30, 2005	\$ 8,951,677	\$ 9,750,067	\$ 798,390	91.81%	\$ 5,771,901	13.83%
June 30, 2006	\$ 10,018,105	\$ 11,179,316	\$ 1,161,211	89.61%	\$ 6,071,837	19.12%
June 30, 2007	\$ 11,580,115	\$ 12,694,145	\$ 1,114,030	91.22%	\$ 6,100,258	18.26%
Optional Plan (2)						
June 30, 2003	\$ 1,010,494	\$ 1,765,392	\$ 754,898	57.24%	\$ -	N/A
June 30, 2004	\$ 1,078,623	\$ 1,812,950	\$ 734,327	59.50%	\$ -	N/A
June 30, 2005	\$ 1,193,367	\$ 1,855,924	\$ 662,557	64.30%	\$ -	N/A
June 30, 2006	\$ 1,174,655	\$ 2,140,987	\$ 966,332	54.87%	\$ -	N/A
June 30, 2007	\$ 1,754,350	\$ 2,094,391	\$ 340,041	83.76%	\$ -	N/A
June 30, 2008	\$ 1,795,341	\$ 2,147,410	\$ 352,069	83.60%	\$ -	N/A

The York County School Division

**Schedule of Employer Contributions for Single-Employer
Defined Benefit Pension Plan (Unaudited)
Year Ended June 30, 2008**

School Board - Optional Plan

Year Ended June 30		Annual Required Contribution	Percentage Contributed
2006	\$	124,695	100%
2007	\$	69,186	100%
2008	\$	45,750	100%

THE YORK COUNTY SCHOOL DIVISION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2006

1. BUDGETARY DATA

The School Division follows these procedures in establishing the budgetary data reflected in the combined financial statements:

As required under Section 22.1-92 of the *Code of Virginia*, the Division Superintendent prepares an estimate of the amount of money deemed to be needed in the General Fund, Special Revenue Fund and Capital Projects Fund during the next fiscal year for the support of the public schools of the School Division. The estimate is required to be allocated for each major classification prescribed by the State Division of Education. Section 22.1-115 of the *Code of Virginia* states "the Division shall prescribe the following major classifications for expenditures of school funds: (i) instruction, (ii) administration, attendance and health (iii) pupil transportation, (iv) operation and maintenance, (v) school food services and other non-instructional operations, (vi) facilities, and (vii) debt and fund transfers."

The Superintendent's proposed budget is based on budget requests prepared by administrative and supervisory staff. The Superintendent also receives input from the School Division, employee associations, Parent Teacher Associations, County Administrator, etc., in formulating the budget proposal. Citizen input is provided via a public forum early in the budget process. After the Superintendent's budget is made public, the School Division conducts a public hearing on the proposed budget.

The School Division is required by state law (Section 22.1-92 of the *Code of Virginia*) to conduct a public hearing on the proposed budget to receive the views of citizens. The School Division also holds several work sessions on the proposed budget and modifies the proposed budget if necessary. The School Division must approve the budget by April 1 and submit it to the Division of Supervisors for the County of York for its approval.

The Board of Supervisors is required by state law to approve a School Division budget by May 1. If the Board of Supervisors approves a local appropriation that is less than the amount the School Division requested, the School Division must reduce the proposed budget accordingly.

The School Division appropriates funds on a major classification level and may make supplemental appropriations based on the availability of financial resources. The Division Superintendent may only authorize the transfer of funds within the major classification, the legal level of budgetary control.

1. BUDGETARY DATA (*Continued*)

Every appropriation lapses at the close of the fiscal year to the extent that it has not been expended. Funding for projects such as the capital improvement program is reappropriated annually until the project has been accomplished or abandoned.

The budgets are prepared on a basis consistent with the modified accrual basis of accounting. Budgeted amounts reflected in the required supplementary information are as originally adopted or as amended by the School Division. The General Fund's budget is adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America.

2. LEGALLY ADOPTED BUDGETS

The general, capital projects, and special revenue funds have legally adopted annual budgets.

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OTHER SUPPLEMENTARY INFORMATION

The York County School Division

**Schedule of Revenues and Expenditures Budget and Actual
Capital Projects Fund
Year Ended June 30, 2008**

	Capital Projects Fund		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Revenues			
Intergovernmental:			
From the County of York	\$ 5,647,990	\$ 863,290	\$ (4,784,700)
From the Commonwealth of Virginia	1,131,011	1,131,018	7
Revenue from the use of money	-	219,189	219,189
Total revenues	\$ 6,779,001	\$ 2,213,497	\$ (4,565,504)
Expenditures			
Capital outlay	\$ 15,692,414	\$ 10,634,944	\$ 5,057,470
Total expenditures	\$ 15,692,414	\$ 10,634,944	\$ 5,057,470

The York County School Division

**Schedule of Revenues and Expenditures Budget and Actual
Non-major Special Revenue Fund
Year Ended June 30, 2008**

School Food Service Fund				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
From the Commonwealth of Virginia	\$ 66,054	\$ 66,054	65,939	\$ (115)
From the Federal government	1,103,000	1,103,000	1,248,847	145,847
Revenue from the use of money	20,000	20,000	23,932	3,932
Charges for services	3,511,518	3,511,518	2,756,616	(754,902)
Miscellaneous	-	-	71,294	71,294
Total revenues	\$ 4,700,572	\$ 4,700,572	\$ 4,166,628	\$ (533,944)
Expenditures				
Food Services:				
Contractual services and purchases for resale	\$ 3,015,240	\$ 3,015,240	\$ 2,779,719	\$ 235,521
Donated commodities	280,000	280,000	332,036	(52,036)
Salaries and wages	873,267	873,267	719,195	154,072
Fringe benefits	340,065	340,065	365,474	(25,409)
Equipment replacement	182,000	182,000	-	182,000
Employee development	5,000	5,000	490	4,510
Travel	5,000	5,000	521	4,479
Total expenditures	\$ 4,700,572	\$ 4,700,572	\$ 4,197,435	\$ 503,137

The York County School Division

**Schedule of Changes in Assets and Liabilities
Agency Fund - School Activity Funds
Year Ended June 30, 2008**

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
Assets				
Cash and temporary investments	<u>\$ 1,598,779</u>	<u>\$ 5,802,604</u>	<u>\$ 5,791,421</u>	<u>\$ 1,609,962</u>
Liabilities				
Amounts held for others	<u>\$ 1,598,779</u>	<u>\$ 5,802,604</u>	<u>\$ 5,791,421</u>	<u>\$ 1,609,962</u>

**STATISTICAL SECTION
(Unaudited)**

Statistical Section

This part of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the School's overall financial health.

Contents:

Financial Trends (pages 77 - 80)

These schedules contain trend information to help the reader understand how the School's financial performance and well-being have changed over time.

Revenue Capacity (pages 81 - 85)

These schedules contain information to help the reader assess the School's most significant local revenue source, Food Services charges for services. They also include the County's most significant local revenue source, property taxes, as the County provides significant revenues to the School.

Debt Capacity (pages 86 - 87)

These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and ability to issue additional debt in the future. These schedules are shown because the County incurs significant debt for the School's use.

Demographic and Economic Information (pages 88 - 89)

These schedules offer demographic and economic indicators to help the reader understand how the environment within which the School's financial activities take place and to help make comparisons over time and with other governments.

Operating Information (pages 90 - 93)

These schedules contain service and infrastructure data to help the reader understand how the information in the School's financial report relates to the services the School provides and the activities it performs.

The York County School Division
Net Assets by Component - Accrual Basis of Accounting
Last Six Fiscal Years ⁽¹⁾
(b unaudited)

	2008	2007	2006	2005	2004	2003
Governmental activities						
Invested in capital assets, net of related debt	\$132,335,874	\$126,097,687	\$118,521,776	\$107,919,412	\$108,311,650	\$105,811,183
Restricted	-	8,470,345	5,331,245	-	796,427	1,019,930
Unrestricted	4,941,291	3,262,537	3,326,399	3,592,674	3,761,644	4,654,077
Total primary government net assets	\$137,277,165	\$137,830,569	\$127,179,420	\$111,512,086	\$112,869,721	\$111,485,190

⁽¹⁾ Reflects retroactive reporting to the year of GASB34 implementation, June 30, 2003.

The York County School Division
Changes in Net Assets - Accrual Basis of Accounting
Last Six Fiscal Years⁽¹⁾
(b unaudited)

	2008	2007	2006	2005	2004	2003
Expenses						
Governmental activities:						
Instruction	\$ 93,310,028	\$ 90,085,862	\$ 81,915,003	\$ 76,669,205	\$ 69,082,634	\$ 63,465,754
Administrative, attendance and health services	9,114,161	8,554,642	7,517,621	6,412,274	5,837,793	5,564,214
Transportation	6,655,318	6,028,267	6,716,845	5,242,264	4,968,615	4,534,200
Operations maintenance	12,257,005	12,101,456	11,140,232	10,918,247	10,145,537	9,129,334
Food services	4,406,639	4,063,833	4,016,427	3,852,601	3,455,830	2,620,622
Interest on capital leases	12,576	19,093	7,126	8,189	18,933	23,975
Total primary government expense:	<u>125,755,727</u>	<u>120,853,153</u>	<u>111,313,254</u>	<u>103,102,780</u>	<u>93,509,342</u>	<u>85,338,099</u>
Program revenues						
Governmental activities:						
Charges for services:						
Instruction	387,460	391,741	376,286	538,102	511,710	484,708
Food services	2,756,616	2,770,129	2,804,096	2,646,324	2,268,203	1,943,016
Operating grants and contributions	63,836,659	61,453,196	56,670,894	51,993,529	46,002,007	45,670,293
Capital grants and contributions	1,845,686	1,208,972	1,272,416	1,660,145	1,623,841	1,188,266
Total primary government program revenues	<u>68,826,421</u>	<u>65,824,038</u>	<u>61,123,692</u>	<u>56,838,100</u>	<u>50,405,761</u>	<u>49,286,283</u>
Net (expense)/revenue						
Total primary government net expense	<u>(56,929,306)</u>	<u>(55,029,115)</u>	<u>(50,189,562)</u>	<u>(46,264,680)</u>	<u>(43,103,581)</u>	<u>(36,051,816)</u>
General revenues and other changes in net assets						
Governmental activities:						
Payments from York County	42,878,956	52,815,163	54,314,617	34,637,955	35,808,975	37,698,293
Shared intergovernmental revenues	10,937,058	11,266,703	10,333,640	9,306,537	7,940,139	7,291,952
Revenues from the use of money and property	2,196,245	1,195,331	886,946	536,367	512,158	580,480
Miscellaneous	363,643	403,067	321,693	426,186	226,840	124,877
Total primary government	<u>56,375,902</u>	<u>65,680,264</u>	<u>65,856,896</u>	<u>44,907,045</u>	<u>44,488,112</u>	<u>45,695,602</u>
Changes in net assets						
Total primary government	<u>\$ (553,404)</u>	<u>\$ 10,651,149</u>	<u>\$ 15,667,334</u>	<u>\$ (1,357,635)</u>	<u>\$ 1,384,531</u>	<u>\$ 9,643,786</u>

⁽¹⁾ Reflects retroactive reporting to the year of GASB34 implementation, June 30, 2003.

The York County School Division
Fund Balances of Governmental Funds - Modified Accrual Basis of Accounting
Last Ten Fiscal Years
(b unaudited)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Fund										
Reserved	\$ 5,905,974	\$ 4,282,348	\$ 4,338,943	\$ 3,943,555	\$ 3,751,632	\$ 4,813,836	\$ 4,001,899	\$ 2,358,472	\$ 2,311,659	\$ 2,619,906
Unreserved	2,911,736	2,209,444	1,754,474	2,131,098	1,699,006	1,586,692	1,517,263	1,180,451	803,586	532,439
Total general fund	<u>\$ 8,817,710</u>	<u>\$ 6,491,792</u>	<u>\$ 6,093,417</u>	<u>\$ 6,074,653</u>	<u>\$ 5,450,638</u>	<u>\$ 6,400,528</u>	<u>\$ 5,519,162</u>	<u>\$ 3,538,923</u>	<u>\$ 3,115,245</u>	<u>\$ 3,152,345</u>
All Other Governmental Funds										
Reserved	\$ 2,226,149	\$ 7,220,504	\$ 5,442,581	\$ 960,971	\$ 1,208,122	\$ 1,855,968	\$ 3,670,236	\$ 1,620,305	\$ 2,256,413	\$ 1,237,649
Unreserved, reported in:										
Special revenue fund	477,066	507,873	471,007	97,247	737,954	630,976	592,109	683,538	677,620	583,077
Capital project fund	(2,015,600)	1,411,492	470,464	407,951	410,562	1,534,822	2,941,033	2,178,524	2,982,649	3,744,546
Total all other governmental funds	<u>\$ 687,615</u>	<u>\$ 9,139,869</u>	<u>\$ 6,384,052</u>	<u>\$ 1,466,169</u>	<u>\$ 2,356,638</u>	<u>\$ 4,021,766</u>	<u>\$ 7,203,378</u>	<u>\$ 4,482,367</u>	<u>\$ 5,916,682</u>	<u>\$ 5,565,272</u>

The York County School Division
Changes in Fund Balances of Governmental Funds -
Modified Accrual Basis of Accounting
Last Ten Fiscal Years
(b unaudited)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Revenues:										
Federal sources:										
Federal grants	\$12,347,579	\$12,797,495	\$13,264,274	\$11,781,101	\$11,112,236	\$10,369,003	\$10,356,463	\$ 8,838,647	\$ 8,835,044	\$ 8,215,508
Food services	1,248,847	1,124,241	1,078,654	942,366	859,717	782,113	814,525	734,918	691,770	733,472
Total federal sources	<u>13,596,426</u>	<u>13,921,736</u>	<u>14,342,928</u>	<u>12,723,467</u>	<u>11,971,953</u>	<u>11,151,116</u>	<u>11,170,988</u>	<u>9,573,565</u>	<u>9,526,814</u>	<u>8,948,980</u>
State sources:										
State education basic aid	35,601,854	35,239,777	31,852,161	31,003,195	26,214,429	25,239,532	23,259,516	22,260,380	20,709,264	19,709,536
State sales tax	10,937,058	11,266,703	10,333,640	9,306,537	7,940,139	7,291,953	7,254,188	7,228,441	6,915,810	6,420,337
Food services	65,939	64,283	61,065	54,920	51,053	48,969	49,350	49,559	47,584	47,758
State grants and other	15,703,458	13,435,872	11,683,201	9,872,092	9,386,313	10,395,441	9,616,908	9,523,443	9,109,311	8,227,067
Total state sources	<u>62,308,309</u>	<u>60,006,635</u>	<u>53,930,067</u>	<u>50,236,744</u>	<u>43,591,934</u>	<u>42,975,895</u>	<u>40,179,962</u>	<u>39,061,823</u>	<u>36,781,969</u>	<u>34,404,698</u>
Local sources:				(1)			(1)			
Payments from York County	42,878,956	52,815,163	54,314,617	34,637,955	35,808,975	37,698,293	30,450,732	27,725,788	28,049,407	25,337,527
Food service sales	2,756,616	2,770,129	2,804,096	2,646,324	2,268,203	1,943,016	1,835,792	1,694,299	1,633,450	1,486,265
Interest and other income	1,176,981	1,195,331	886,946	536,367	512,158	580,480	605,155	891,193	756,771	627,875
Other revenueus	646,968	795,308	701,934	964,288	740,650	585,599	727,654	681,870	760,996	772,742
Total local resources	<u>47,459,521</u>	<u>57,575,931</u>	<u>58,707,593</u>	<u>38,784,934</u>	<u>39,329,986</u>	<u>40,807,388</u>	<u>33,619,333</u>	<u>30,993,150</u>	<u>31,200,624</u>	<u>28,224,409</u>
Total revenues	<u>123,364,256</u>	<u>131,504,302</u>	<u>126,980,588</u>	<u>101,745,145</u>	<u>94,893,873</u>	<u>94,934,399</u>	<u>84,970,283</u>	<u>79,628,538</u>	<u>77,509,407</u>	<u>71,578,087</u>
Expenditures:										
Instruction	87,648,146	85,684,494	79,042,519	72,199,940	64,156,077	60,385,900	56,268,252	55,176,078	53,324,635	47,244,857
Administration, attendance, and health services	8,945,661	8,329,524	7,420,691	6,404,403	5,907,512	5,429,175	4,705,618	4,250,250	3,763,534	3,271,827
Pupil Transportation	6,739,839	6,567,937	6,069,668	5,618,939	5,101,840	4,658,132	3,961,244	4,672,831	3,583,816	3,140,159
Operations and maintenance	11,205,861	11,653,064	11,080,684	11,023,760	10,111,467	8,950,532	8,022,027	7,673,108	6,958,758	6,953,359
Food services	4,197,435	4,024,382	3,977,129	3,823,924	3,416,064	2,745,592	2,798,917	2,513,444	2,311,130	2,174,669
Capital outlay	10,634,944	11,896,449	14,684,782	3,116,248	8,419,194	14,791,825	4,386,992	6,222,336	8,148,945	4,126,206
Debt service:										
Principal retirement	106,130	175,167	257,000	97,000	97,000	97,000	97,000	97,000	97,000	4,018,311
Interest and fiscal charges	12,576	19,093	7,126	8,189	18,933	23,975	28,983	34,128	38,967	97,726
Total expenditures	<u>129,490,592</u>	<u>128,350,110</u>	<u>122,539,599</u>	<u>102,292,403</u>	<u>97,228,087</u>	<u>97,282,131</u>	<u>80,269,033</u>	<u>80,639,175</u>	<u>78,226,785</u>	<u>71,026,914</u>
Excess of revenues over expenditures	<u>(6,126,336)</u>	<u>3,154,192</u>	<u>4,440,989</u>	<u>(547,258)</u>	<u>(2,334,214)</u>	<u>(2,347,732)</u>	<u>4,701,250</u>	<u>(1,010,637)</u>	<u>(717,378)</u>	<u>551,173</u>
Other financing sources (uses):										
Capital lease	-	-	495,658	-	-	-	-	-	-	-
Transfers in	-	-	500,000	-	-	-	-	-	-	-
Transfers out	-	-	(500,000)	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	495,658	-	-	-	-	-	-	-
Net change in fund balances	<u>(\$6,126,336)</u>	<u>\$ 3,154,192</u>	<u>\$ 4,936,647</u>	<u>\$ (547,258)</u>	<u>\$ (2,334,214)</u>	<u>\$ (2,347,732)</u>	<u>\$ 4,701,250</u>	<u>\$ (1,010,637)</u>	<u>\$ (717,378)</u>	<u>\$ 551,173</u>
Debt service as a percentage of noncapital expenditures	0.10%	0.17%	0.25%	0.11%	0.13%	0.15%	0.17%	0.18%	0.19%	(2) 6.56%

⁽¹⁾ Significant increases in payments from York County are due to years in which long-term debt was issued by the County on behalf of the School Division. Capital Outlay expenditures are also notably increase in these years.

⁽²⁾ Increase is a result of the York County School Division paying off their \$3.2 million VRS Early Retirement Liability.

The York County School Division
Food Services - Breakfast and Lunch Program Rates and Participation
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Breakfast Program Meal Prices				Lunch Program Rates Meal Prices				Average Percentage of Students Participating in School Lunch Program	Percentage of Students Receiving Free or Reduced Meals		
	Middle/ Elementary				Middle/ High							
	Elementary	High	Adult	Reduced	Elementary	High	Adult	Reduced				
2008	\$0.95	\$1.05	\$1.30	\$0.30	\$1.90	\$2.00	\$2.60	\$0.40	41.79%	14.41%		
2007	\$0.95	\$1.05	\$1.30	\$0.30	\$1.85	\$1.95	\$2.50	\$0.40	43.75%	14.18%		
2006	\$0.85	\$1.05	\$1.30	\$0.30	\$1.75	\$1.85	\$2.50	\$0.40	46.42%	13.92%		
2005	\$0.75	\$0.95	\$1.20	\$0.30	\$1.65	\$1.75	\$2.25	\$0.40	48.18%	14.15%		
2004	\$0.75	\$0.95	\$1.05	\$0.30	\$1.65	\$1.75	\$2.25	\$0.40	45.88%	13.49%		
2003	\$0.75	\$0.95	\$1.05	\$0.30	\$1.65	\$1.65	\$2.25	\$0.40	42.51%	13.26%		
2002	\$0.75	\$0.95	\$1.05	\$0.30	\$1.55	\$1.65	\$2.15	\$0.40	52.99%	14.25%		
2001	\$0.95	\$0.95	\$1.05	\$0.30	\$1.45	\$1.45	\$2.05	\$0.40	53.37%	14.35%		
2000	\$0.95	\$0.95	\$1.05	\$0.30	\$1.45	\$1.45	\$2.05	\$0.40	54.70%	16.25%		
1999	\$0.75	\$0.75	\$1.05	\$0.30	\$1.45	\$1.55	\$2.05	\$0.40	51.85%	17.23%		

Source: York County School Division

The York County School Division
Assessed Value and Estimated Actual Value of Taxable Property
of the County of York, Virginia
Last Ten Calendar Years
 (unaudited)

Year				Public Utility			Total Taxable Assessed Value	Total Direct Tax Rate
	Real Estate	Personal Property	Mobile Home	Real Estate	Personal Property	CPC Equipment		
2008	\$8,769,689,200	\$515,107,210	\$4,276,100	\$308,145,734	\$148,765	\$67,877,755	\$9,665,244,764	0.9753
2007	7,645,795,200	487,921,335	4,224,900	326,639,988	174,188	75,653,448	8,540,409,059	0.9136
2006	7,454,449,300	476,044,805	4,234,365	281,865,579	147,630	56,217,994	8,272,959,673	0.8866
2005	5,342,391,200	438,975,665	4,533,300	308,441,261	195,614	108,900,347	6,203,437,387	1.0399
2004	5,177,858,100	389,936,240	4,048,700	311,750,291	103,116	83,427,310	5,967,123,757	1.0628
2003	4,332,695,900	372,586,710	4,483,220	383,517,402	81,725	47,572,000	5,140,936,957	1.0860
2002	4,164,948,589	357,154,465	4,710,800	373,094,854	67,399	45,232,394	4,945,208,501	1.0852
2001	3,731,519,800	341,671,410	5,499,500	396,014,109	75,058	48,741,804	4,523,521,681	1.0954
2000	3,593,618,963	343,064,595	4,977,800	384,314,309	76,790	45,963,521	4,372,015,978	1.1053
1999	3,290,329,596	283,997,377	4,308,423	405,887,634	72,600	47,599,984	4,032,195,614	1.0793

Note: Values are net of tax exempt property. Property in the County is reassessed every two years. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value.

Source: County of York, Virginia
 Comprehensive Annual Financial Report Fiscal Year 2008

The York County School Division
Property Tax Rates for the County of York, Virginia
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Real Estate (1) (2) (3)	Personal Property (1)	Mobile Home (1) (3)	CPC Equipment (1) (3)
2008	0.6975/0.6575	\$ 4.00	0.6975/0.6575	0.558/0.526
2007	0.6975	4.00	0.6975	0.558
2006	0.8175/0.6975	4.00	0.8175/0.6975	0.654/0.558
2005	0.8175	4.00	0.8175	0.654
2004	0.86/0.8175	4.00	0.86/0.8175	0.688/0.654
2003	0.86	4.00	0.86	0.688
2002	0.86	4.00	0.86	0.688
2001	0.86	4.00	0.86	0.688
2000	0.86	4.00	0.86	0.688
1999	0.86	4.00	0.86	0.688

⁽¹⁾ Tax rate per \$100 of assessed valuation.

⁽²⁾ The amount designated for school operating is \$0.548/0.494 for fiscal year 2008.

⁽³⁾ The tax rate, 1st half/2nd half.

Note: The County has no overlapping taxes with other governments.

Source: County of York, Virginia
Comprehensive Annual Financial Report Fiscal Year 2008

The York County School Division
Principal Property Taxpayers of the County of York, Virginia - Calendar Year
Current Year and Nine Years Ago
(bunaudited)

Taxpayer	Description	2007		Percentage of Total Taxable Assessed		1998		Percentage of Total Taxable Assessed	
		Taxable Assessed	Value	Rank	Value	Taxable Assessed	Valuation	Rank	Value
Virginia Power Company	Generating plant	\$ 315,967,495		1	3.63%	\$ 352,933,852		1	6.94%
Giant Industries/Amoco Oil	Refinery	112,213,545		2	1.29%	75,880,655		2	3.73%
Lawyers Title Insurance Co./	Fairfield timeshare								
Fairfield Communities	condos	163,812,670		3	1.88%	69,993,700		4	1.41%
City of Newport News	Water system	138,611,000		4	1.59%	63,884,500		3	1.29%
Great Wolf Lodge of Williamsburg, LLC	Hotel and water park	61,787,990		5	0.71%	-			
Kings Creek Plantation	Timeshare condos	49,981,760		6	0.57%	-			
Anheuser Busch Companies	Retail and water park	44,342,785		7	0.51%	29,942,210		5	0.67%
Wal-Mart	Retail sales	34,038,595		8	0.39%	-			
Verizon Virginia Inc.	Telephone company	21,933,079		9	0.25%	25,270,722		6	0.52%
Marquis at Williamsburg, LLC	Retail sales	21,425,100		10	0.25%				
Virginia Natural Gas	Natural gas company					18,839,598		7	0.51%
Kiln Creek Shopping Center	Retail sales					17,728,100		8	0.38%
1991 Ashe Property	Apartments					16,131,800		9	0.36%
Phillip Morris	Retail sales					12,571,745		10	0.33%
Total		<u>\$ 964,114,019</u>			<u>11.07%</u>	<u>\$ 683,176,882</u>			<u>16.14%</u>

Source: Commissioner of the Revenue of the County of York, Virginia.

The York County School Division
Property Tax Levies and Collections of the County of York, Virginia
Last Ten Fiscal Years
(b unaudited)

Fiscal Year	Total Tax Levy (1) (2) (3)	Current Tax Collections (1)	Percent of Levy Collected	Collections in Subsequent Year		Total Collections to Date	
				Amount	Percentage of Levy	Amount	Percentage of Levy
2008	\$ 72,552,762	\$ 70,122,593	96.65%	\$ -	96.65%	\$ 70,122,593	96.65%
2007	69,290,160	67,367,845	97.23%	1,220,156	68,588,001	98.99%	
2006	67,054,087	64,874,238	96.75%	1,507,636	66,381,874	99.00%	
2005	65,863,726	63,315,662	96.13%	1,777,052	65,092,714	98.83%	
2004	60,823,449	58,099,636	95.52%	2,169,009	60,268,645	99.09%	
2003	57,471,361	55,137,811	95.94%	1,854,811	56,992,622	99.17%	
2002	53,335,585	51,353,839	96.28%	1,649,252	53,003,091	99.38%	
2001	50,512,862	48,624,757	96.26%	1,565,289	50,190,046	99.36%	
2000	47,039,600	44,889,391	95.43%	1,526,478	46,415,869	98.67%	
1999	44,071,970	42,685,249	96.85%	1,291,289	43,976,538	99.78%	

⁽¹⁾ Effective for 2006, the Commonwealth of Virginia passed legislation changing the nature of the Personal Property Tax Relief Act "PPTRA" (Virginia State Code, Title 58.1, Chapter 35) from a reimbursement based entitlement program to a block grant. Consequently, the levy and collections for the first half of calendar year 2006 (second half of fiscal year 2006), excludes the Commonwealth's noncategorical aid for PPTRA. Figures for the second half of calendar year 2005 (first half of fiscal year 2006) and for applicable prior years include the Commonwealth's reimbursement for PPTRA.

⁽²⁾ The total tax levy was restated from previous years reported assessments for fiscal years 1999 and 2000.

Source: County of York, Virginia
Comprehensive Annual Financial Report Fiscal Year 2008

The York County School Division
Ratio of Outstanding Debt By Type of the County of York, Virginia
Last Ten Fiscal Years
(bunaudited)

Fiscal Year	Governmental Activities						Business-type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds		Certificates of Participation		Lease Revenue Bonds		General Obligation Bonds		Revenue Bonds		Capital Leases			
	Literary Loans	Capital Leases			Note Payable									
2008	\$ 5,691,000	\$ 400,000	\$ 953,896	\$ -	\$ 15,595,000	\$ 1,879,758	\$ -	\$ 8,355,489	\$ 730,000	33,605,143	2.46%	\$ 1,313		
2007	60,925,000	550,000	986,448	-	16,680,000	2,120,925	-	8,595,105	895,000	90,752,478	2.91%	1,422		
2006	53,455,000	710,000	860,883	-	17,740,000	2,345,211	-	8,824,218	1,055,000	84,990,312	2.85%	1,347		
2005	41,655,000	870,000	69,189	-	18,780,000	2,553,797	-	9,062,852	1,205,000	74,195,838	2.66%	1,191		
2004	44,785,000	1,030,000	175,471	-	19,795,000	2,747,783	-	9,310,721	1,350,000	79,193,975	3.04%	1,288		
2003	43,740,000	1,190,000	276,247	-	3,070,000	2,928,191	-	9,484,287	1,490,000	62,178,725	2.54%	1,031		
2002	38,645,400	1,350,000	372,288	-	3,385,000	3,095,971	69,600	9,652,440	1,559,167	58,129,866	2.51%	980		
2001	41,122,900	1,535,700	459,780	3,470,000	-	3,252,007	142,100	9,810,200	1,680,000	61,472,687	2.83%	1,049		
2000	43,702,500	1,725,600	493,296	3,695,000	-	3,397,121	217,500	9,962,586	1,791,667	64,985,270	3.21%	1,154		
1999	46,704,200	1,982,450	613,058	3,905,000	-	3,532,077	295,800	569,616	1,897,501	59,499,702	3.18%	1,070		

Source: County of York, Virginia
Comprehensive Annual Financial Report Fiscal Year 2008

The York County School Division
Ratio of General Bonded Debt Outstanding for the County of York, Virginia
Last Ten Fiscal Years
 (unaudited)

Fiscal Year	General Obligation Bonds	Less Amounts Available in Debt Service Fund		Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
		General Obligation Bonds	Less Amounts Available in Debt Service Fund			
2008	\$ 56,910,000	\$ -		\$ 56,910,000	0.59%	\$ 881
2007	60,925,000	-		60,925,000	0.71%	955
2006	53,455,000	-		53,455,000	0.65%	847
2005	41,655,000	-		41,655,000	0.67%	669
2004	44,785,000	-		44,785,000	0.75%	728
2003	43,740,000	-		43,740,000	0.85%	725
2002	38,715,000	-		38,715,000	0.78%	653
2001	44,735,000	-		44,735,000	0.99%	763
2000	47,615,000	-		47,615,000	1.09%	846
1999	50,905,000	-		50,905,000	1.26%	916

Source: County of York, Virginia
 Comprehensive Annual Financial Report Fiscal Year 2008

The York County School Division
Demographic and Economic Statistics
Last Ten Fiscal Years
 (unaudited)

Fiscal Year	Population ⁽²⁾	Personal Income⁽¹⁾ (Thousands)	Education			Student Average Daily Membership⁽⁴⁾	Unemployment Rate⁽⁵⁾
			Per Capita Income⁽¹⁾	Median Age⁽²⁾	Level In Years of Formal Schooling⁽³⁾		
2008	64,600	\$ 3,455,000	\$ 44,600	40.20	12.80	12,745	3.4%
2007	63,800	3,115,020	40,385	39.70	12.80	12,649	2.6%
2006	63,100	2,983,100	39,200	39.30	12.80	12,797	2.8%
2005	62,300	2,791,500	37,170	38.90	12.80	12,442	2.9%
2004	61,500	2,603,144	35,917	38.50	12.80	12,363	2.9%
2003	60,300	2,443,756	34,029	38.00	12.80	12,184	3.1%
2002	59,300	2,316,285	32,685	37.60	12.80	12,010	3.0%
2001	58,600	2,174,435	31,355	37.20	12.80	11,750	2.5%
2000	56,297	2,025,203	29,709	36.50	12.80	11,667	1.9%
1999	55,600	1,870,073	27,863	36.30	12.40	11,434	2.0%

Source:

⁽¹⁾ County Planning Division 2008 - 2007 (estimated); U.S. Bureau of Economic Analysis (2006 - 1999).

⁽²⁾ County Planning Division, except fiscal year 2000 - U.S. Bureau of the Census.

⁽³⁾ County Planning Division

⁽⁴⁾ County School Division

⁽⁵⁾ Local Area Unemployment Statistics Program and the Bureau of Labor Statistics.

**The York County School Division
Principal Employers**
Current Year and Eight Years Prior⁽¹⁾
(unaudited)

Employer	2008			2000			Percentage of Total County Employment
	Employees	Rank	Percentage of Total County Employment	Employees	Rank		
Naval Weapons Station / Cheatham Annex	2,694	1	12.29%	2,800	1		19.14%
York County School Division	1,646	2	7.51%	1,622	2		11.09%
U.S. Coast Guard Station	1,030	3	4.70%				
Wal-Mart	998	4	4.55%				
York County Government	937	5	4.28%	729	3		4.98%
Sentara Williamsburg Regional Medical Center	911	6	4.16%				
Water Country	736	7	3.36%	603	4		4.12%
Great Wolf Lodge	509	8	2.32%				
Windham Vacation Ownership	487	9	2.22%				
Kings Creek Plantation	279	10	1.27%				
K-Mart				423	5		2.89%
BP Amoco				219	6		1.50%
Food Lion				213	7		1.46%
Cybernetics				150	8		1.03%
Virginia Power				108	9		0.74%
C.A. Barrs				90	10		0.62%
Total	<u>10,227</u>		<u>46.66%</u>	<u>6,957</u>			<u>47.57%</u>

⁽¹⁾ Data not available prior to 2000.

Source: County Office of Economic Development.

The York County School Division
Full-time Equivalent Division Employees by Type
Last Ten Fiscal Years
 (unaudited)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Athletic Directors	4.00	4.00	4.00	4.00	-	-	-	-	-	-
Board Members	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Bus Drivers	133.00	136.00	136.00	130.00	128.00	129.00	126.00	124.00	120.00	125.00
Bus Driver Assistants	25.00	25.00	25.00	21.00	21.00	21.00	21.00	21.00	20.00	0.00
Cafeteria Monitors	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Chief Financial Officer	1.00	1.00	1.00	1.00	1.00	1.00	1.00	-	-	-
Clerical	74.25	75.25	73.25	65.25	66.25	71.75	70.50	72.50	73.50	70.00
Clerk of the Board	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Clinic Aides	-	-	1.00	2.00	2.00	2.00	3.00	3.00	3.00	6.00
Crossing Guards	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Custodians	100.50	100.50	100.50	85.75	85.75	85.75	85.75	85.75	85.75	85.75
Directors	9.25	11.25	9.25	9.25	8.75	9.25	8.25	10.25	9.25	7.00
Division Chiefs	4.00	3.00	-	-	-	-	-	-	-	-
Food Service Personnel	48.32	53.32	63.75	95.00	95.00	95.00	95.00	95.00	95.00	95.00
Guidance Counselors	34.00	34.00	34.00	33.50	33.00	33.00	33.00	33.00	32.00	33.00
Instructors	10.00	10.00	11.00	10.00	10.00	10.00	10.00	8.00	7.00	7.00
Librarians	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
Mechanics	8.00	8.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Nurses	17.00	17.00	17.00	16.00	16.00	16.00	15.00	15.00	15.00	12.00
Occupational Therapists	4.50	4.00	4.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00
Para-Educators	261.00	268.50	263.00	259.00	245.00	218.00	213.00	196.00	190.25	169.00
Physical Therapists	2.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Principals	19.00	19.00	19.00	20.00	20.00	20.00	20.00	20.00	20.00	19.00
Principals (Assistants)	27.00	25.00	23.00	23.00	22.00	20.00	20.00	20.00	19.50	20.50
Psychologists	9.00	10.00	10.00	10.00	10.00	10.00	9.00	7.00	7.00	6.00
Superintendent	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Superintendent (Assistant)	-	-	2.00	1.00	2.00	1.00	1.00	1.00	1.00	2.00
Teachers	833.25	845.72	839.50	818.25	800.00	773.00	769.00	746.00	742.50	706.75
Technical	110.26	114.54	112.50	99.25	94.50	84.50	69.25	59.25	54.75	43.75
Trades	24.00	24.00	24.00	23.00	23.00	25.00	25.00	24.00	24.00	24.00
Total Full-Time Equivalents	<u>1,789.83</u>	<u>1,822.58</u>	<u>1,813.25</u>	<u>1,768.75</u>	<u>1,725.75</u>	<u>1,666.75</u>	<u>1,636.25</u>	<u>1,582.25</u>	<u>1,561.00</u>	<u>1,473.25</u>

Source: York County School Division

The York County School Division
Operating Statistics
Last Ten Fiscal Years
 (unaudited)

Fiscal Year	Enrollment	Operating Expenditures	Cost per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio	Percentage Change
2008	12,745	\$ 114,658,213	\$ 8,996	0.1%	885.25	14.4	2.1%
2007	12,649	112,429,279	8,888	9.5%	897.72	14.1	-1.8%
2006	12,797	103,877,688	8,117	5.9%	891.58	14.4	0.3%
2005	12,442	95,355,488	7,664	10.6%	869.82	14.3	-1.5%
2004	12,363	85,675,590	6,930	5.9%	850.97	14.5	-1.8%
2003	12,184	79,744,280	6,545	4.4%	823.79	14.8	1.0%
2002	12,010	75,278,680	6,268	-0.4%	819.94	14.6	-0.6%
2001	11,750	73,954,500	6,294	5.7%	797.04	14.7	0.3%
2000	11,654	69,376,262	5,953	-0.1%	792.54	14.7	-2.6%
1999	11,434	68,123,772	5,958	7.9%	757.74	15.1	-0.3%

Source: York County School Division

The York County School Division
School Building Information
Last Ten Years
(unaudited)

School	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Elementary										
Bethel Manor Elementary										
Square feet	79,800	79,800	79,800	79,800	79,800	79,800	79,800	53,800	53,800	53,800
Capacity	700	700	700	700	700	700	700	430	430	430
Enrollment	565	555	598	625	595	534	520	577	614	594
Coventry Elementary										
Square feet	74,800	74,800	74,800	74,800	74,800	74,800	74,800	74,800	74,800	74,800
Capacity	708	708	708	708	708	708	708	708	708	708
Enrollment	646	637	669	644	681	686	676	738	698	668
Dare Elementary										
Square feet	52,100	52,100	52,100	52,100	52,100	52,100	52,100	52,100	52,100	52,100
Capacity	427	427	427	427	427	427	427	427	427	427
Enrollment	447	421	442	391	374	414	381	377	398	411
Grafton Bethel Elementary										
Square feet	57,800	57,800	57,800	57,800	57,800	57,800	57,800	57,800	57,800	57,800
Capacity	703	703	703	703	703	703	703	703	703	703
Enrollment	642	623	614	634	650	626	620	605	670	670
Magruder Elementary										
Square feet	70,400	70,400	70,400	70,400	70,400	70,400	70,400	70,400	70,400	62,400
Capacity	653	653	653	653	653	653	653	653	653	461
Enrollment	599	614	570	525	527	512	531	554	547	582
Mt. Vernon Elementary										
Square feet	57,600	57,600	57,600	57,600	57,600	57,600	57,600	57,600	57,600	57,600
Capacity	542	542	542	542	542	542	542	542	542	542
Enrollment	552	535	537	496	495	581	589	521	544	553
Seaford Elementary										
Square feet	52,700	52,700	52,700	52,700	52,700	52,700	52,700	41,700	41,700	41,700
Capacity	506	506	506	506	506	506	506	506	506	506
Enrollment	520	508	517	496	492	489	472	495	457	455
Tabb Elementary										
Square feet	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000
Capacity	627	627	627	627	627	627	627	627	627	627
Enrollment	551	546	578	619	619	616	645	649	614	620
Waller Mill Elementary										
Square feet	33,800	33,800	33,800	33,800	33,800	33,800	33,800	33,800	33,800	33,800
Capacity	297	297	297	297	297	297	297	297	297	297
Enrollment	328	301	307	288	289	287	257	199	211	213
Yorktown Elementary										
Square feet	54,200	54,200	54,200	54,200	54,200	54,200	54,200	54,200	54,200	54,200
Capacity	494	494	494	494	494	494	494	494	494	494
Enrollment	489	464	497	507	493	431	396	387	383	410

The York County School Division
School Building Information
Last Ten Years
 (unaudited)

School	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Middle										
Grafton Middle										
Square feet	143,000	143,000	143,000	143,000	143,000	143,000	143,000	143,000	143,000	143,000
Capacity	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Enrollment	893	934	945	981	966	947	915	985	1,000	1,003
Queens Lake Middle										
Square feet	57,100	57,100	57,100	57,100	57,100	48,100	48,100	48,100	48,100	48,100
Capacity	681	681	681	681	681	490	490	490	490	490
Enrollment	570	545	519	484	486	493	510	476	457	445
Tabb Middle										
Square feet	98,000	98,000	98,000	98,000	98,000	98,000	98,000	98,000	65,000	65,000
Capacity	1,080	1,080	1,080	1,080	1,080	1,080	1,080	1,080	650	650
Enrollment	954	967	1,014	936	994	987	964	847	822	773
Yorktown Middle										
Square feet	102,000	65,600	65,600	65,600	65,600	65,600	65,600	65,600	65,600	65,600
Capacity	982	629	629	629	629	629	629	629	629	629
Enrollment	713	666	699	667	666	630	607	576	593	582
High										
Bruton High										
Square feet	155,200	155,200	155,200	155,200	155,200	155,200	151,700	151,700	151,700	151,700
Capacity	1,039	1,039	1,039	1,039	1,039	1,039	1,039	1,039	1,039	1,039
Enrollment	726	746	739	703	661	621	585	567	548	548
Grafton High										
Square feet	143,000	143,000	143,000	143,000	143,000	143,000	143,000	143,000	143,000	143,000
Capacity	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Enrollment	1,296	1,299	1,280	1,264	1,253	1,208	1,241	1,214	1,218	1,191
Tabb High										
Square feet	152,400	152,400	152,400	152,400	152,400	152,400	152,400	152,400	152,400	152,400
Capacity	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290
Enrollment	1,267	1,283	1,293	1,305	1,216	1,175	1,122	1,100	1,028	954
York High										
Square feet	191,720	191,720	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000
Capacity	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214
Enrollment	977	1,014	974	957	960	922	866	849	797	727
York River Academy										
Square feet	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Capacity	40	40	40	40	40	40	40	40	40	40
Enrollment	50	40	37	39	42	48	45	43	43	38

Source: York County School Division

COMPLIANCE SECTION



***REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS***

Members of the School Board
York County School Division

We have audited the basic financial statements of the York County School Division, a component unit of the County of York, Virginia, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered York County School Division's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of York County School Division's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of York County School Division's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects York County School Division's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of York County School Division's financial statements that is more than inconsequential will not be prevented or detected by York County School Division's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by York County School Division's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether York County School Division's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of York County School Division, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekant & Holland, A. Z. P.

Richmond, Virginia
November 25, 2008



**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH
COMMONWEALTH OF VIRGINIA'S LAWS, REGULATIONS,
CONTRACTS AND GRANTS**

Members of the School Board
York County School Division

We have audited the basic financial statements of the York County School Division, a component unit of the County of York, Virginia, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 25, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the York County School Division's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions, and accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

<u>Code of Virginia Requirements</u>	<u>State Agency</u>
Budget and Appropriation Laws	Education
Cash and Investments	
Conflicts of Interest	Retirement Procurement Unclaimed Property

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph.

This report is intended solely for the information of the York County School Division, management, the Auditor of Public Accounts and applicable state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert & Holland, L.L.P.

Richmond, Virginia
November 25, 2008